THE SCIENCE AND ART OF WRITING LIFE INSURANCE

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Standard Course

REVISED EDITION

Published by

NEW YORK INSURANCE SCHOOL

560 WEST 163rd STREET, NEW YORK

PREFACE

The science and art of writing life insurance is not a natural growth in the brain—it must be acquired by experience or instruction.

"Learning teacheth more in one year than experience in twenty; and learning teacheth safely when experience maketh more miserable than wise. He hazardeth sore that waxeth wise by experience. An unhappy shipmaster is he that is made cunning by many shipwrecks, a miserable merchant that is neither rich nor wise but after some bankrouts. It is costly wisdom that is bought by experience."

The fundamental truths in the science and art of writing life insurance are formulated in this course of instruction as a vantage ground upon which a soliciting agent may succeed in the moral and financial sense success is measured.

Author.

INDEX

LESSON I

THE ANALYSIS OF A PREMIUM

The Science of Insurance

Mortality

This lesson is written from a soliciting agent's point of view with direct application to field work. Your mission is not to make actuaries, but policy-holders out of prospects. You have no more time to teach prospects the science of insurance than a lawyer has time to teach clients the science of law, or a physician has time to teach patients the science of medicine. The science of insurance should never be mentioned to a prospect unless it is necessary to remove an objection or a popular error on which an application may hinge.

1. The life of an individual is uncertain, but the *average* life of a collection of individuals is certain. In other words, the number of deaths is known, but the *order* of death is unknown. The average mortality rate of a collection of individuals is obtained by the observation of 100,000 healthy lives, beginning at the age of 10 and noting the number of deaths each year to the age of 96, when the last man is presumed to die. The result of this observation is known as the American Experience Table of Mortality. This table is the foundation upon which all life insurance companies in the United States are based and their policy contracts constructed.

Two Systems

2. There are two general systems of life insurance: the natural premium system, which is known as the assessment or fraternal; and the scientific premium system, which is known as the "old line" or level premium.

3. *The Natural.*—The premium rates of the natural system are collected as they accrue, in accordance with the advancing age and the increasing scale of mortality. The logical result of this system in practice is shown by the following illustration, based on the American Experience Table: The ultimate rate of mortality at age 35 is approximately 9 to 1,000. At the age of 50, there will remain from the original 1,000 members but 853 survivors, 12 of whom will die that year; at the age of 60 there will remain from the original 1,000 but 708 survivors, 19 of whom will die that year; at the age of 80 there will remain from the original 1,000 but 176 survivors, 25 of whom will die that year; and at the age of 96 there will remain from the original 1,000 but one survivor, who is presumed to die that year.

4. If the original 1,000 members each insure for $1000, without expense charge, in a natural premium Order or Association, it is obvious that the 1,000 members at age 35 must each pay $9 in advance to provide a fund from which to pay $1000 to each one of the beneficiaries of the 9 members who die that year; the surviving 853 members at

age 50 must each pay $14 in advance to provide a fund from which to pay $1000 to each one of the beneficiaries of the 12 members who die that year; the surviving 708 members at age 60 much each pay $27 in advance to provide a fund from which to pay $1000 to each one of the beneficiaries of the 19 members who die that year; the surviving 176 members at the age of 80 much each pay $142 in advance to provide a fund from which to pay $1000 to each one of the beneficiaries of the 25 members, who die that year; and the one surviving member at age 96 must pay $1000 in advance to provide a fund from which to pay his beneficiary $1000 in event of his death that year.

5. If, for illustration, 4 men insured for $1000 each under the natural premium system, without charge for expense, and 1 died each year during the 4 years, it is obvious that the 4 members would each have to pay in advance the first year a natural premium of $250 to provide a fund from which to pay $1000 to the beneficiary of the one who died that year; the second year, the 3 surviving members would each have to pay in advance a natural premium of $333.34 to provide a fund from which to pay $1000 to the beneficiary of the one who died that year; the third year the 2 surviving members would each have to pay in advance a natural premium of $500 to provide a fund from which to pay $1000 to the beneficiary of the one who died that year; and the fourth year the 1

survivor would have to pay in advance a natural premium of $1000 to provide a fund from which to pay his beneficiary $1000 when he died that year.

6. The shock of the increased rate of the natural premium system from time to time, unless otherwise provided for, causes the younger and healthier members to desert the Order or Association, leaving the older and impaired risks to accelerate a higher rate of mortality that ultimately wrecks the Order or Association.

7. *Objections.*—There are many objections in practice to the natural premium system of life insurance. The assets of the Order or Association in America are in the pockets of the members, and in event of death the certificate or by-law, as a rule, promises to make *one* assessment, and the amount realized will be paid as a benefit not to *exceed* the face amount of the certificate. Suffice it to say, however, that assessment companies, as business organizations in America, are fast disappearing, and the tendency of fraternal orders is growing toward the scientific method of calculating the premium rates.

8. The scientific system cures the defects of the natural premium system. The terms of the policy are fixed and guaranteed, the assets of the company are in the treasury, instead of the pockets of the members, and there is no liability unless the money is paid in advance to cover it. The scientific system equalizes the premium rate by making

an excess charge over the natural rate among the younger ages to offset the higher natural premium rate among the older ages. In other words, the scientific premium is the commuted equivalent of the natural premium, and it is fixed at the age of entry.

9. *The Scientific.*—If 4 men insured for $1000 each under the scientific system without charge for expense and 1 member died each year during the 4 years, it is obvious that the total amount of risk would be $4000. In order to procure and guarantee a level annual premium for each member and $1000 at death, we ascertain the amount of the premium by dividing the $4000 at risk by the total number of annual premiums to be paid in 4 years. In other words, there will be 4 premiums paid in advance the first year, 3 the second year, 2 in the third year, and 1 the fourth year, making a total of 10. If you divide $4000 by 10 we obtain a $400 premium per $1000 insurance for each one of the 4 men.

10. The first year, the 4 men each pay $400 in advance and thereby create a fund of $1600; 1 man dies and his beneficiary receives $1000, leaving a balance of $600 in the treasury. The second year, the 3 survivors each pay $400 in advance, or a total of $1200, which added to the $600 balance creates a fund of $1800; 1 man dies and beneficiary receives $1000, leaving a balance of $800 in the treasury. The third year the 2 survivors each pay

$400 in advance or a total of $800, which added to the $800 balance creates a fund of $1600; 1 man dies and his beneficiary receives $1000, leaving a balance of $600 in the treasury. The fourth year the 1 survivor pays $400 in advance, which added to the $600 balance creates a fund of $1000; he dies and his beneficiary receives $1000 which balances the account.

Illustration

11.

Year		Men		Premium		Treasury
1	—	4	×	$400	=	$1600
		1 dies.				1000
						600
2	—	3	×	400	=	1200
						1800
		1 dies.				1000
						800
3	—	2	×	400	=	800
						1600
		1 dies.				1000
						600
4	—	1	×	400	=	400
						1000
		1 dies.				1000

Analysis of a Premium

12. *Ordinary Life.*—The ordinary life policy is the unit in the scientific system of life insurance, the same as a dollar is the unit in our currency system. The ordinary life policy promises to pay $1000 or more in event of death in consideration of a level annual premium fixed for life at the

age of entry, with extensions, paid-up or cash options after 3 years. The annual participating rate at age 35 for $1000 ordinary life insurance is approximately $28 less the dividends. The non-participating rate is obtained by subtracting the estimated dividends from the participating rate. The $28 premium at age 35 is composed of three elements:

Mortality, Reserve and Expense

13. *Mortality.*—The ultimate death rate at age 35 is approximately 9 to 1,000. In other words, $9 collected in advance without expense from all who insure at age 35 will pay $1000 to the beneficiaries of all who die from their number that year. But the mortality rate for the next year will be higher because the older the members get the faster they die, hence $9 collected in advance from the survivors will not be sufficient to pay $1000 to the beneficiaries of those who die the next year at age 36, or at any older age. A difference of $12 at 3 per cent. compound interest is required each year in addition to the $9 mortality element to pay $1000 to the beneficiaries of all who die between the ages of 35 and 96. This $12 at 3 per cent. compound interest in an ordinary life premium at age 35 is called the legal reserve element.

14. *Legal Reserve.*—The $12 reserve at 3 per cent. compound interest added to the $9 mortality

element gives us a *net* annual premium of $21. In other words, if 1,000 men at age 35 insure for $1000 each, with no charge for expenses, their annual premium would be $21. In event of death, the company would theoretically take the $12 reserve with compound interest accumulations on the policies of those who died the next year, or at age 36, and reach over in the mortality element for the difference—$988—and pay to each of the beneficiaries of those who died ($12 + $988) $1000; in event of death at age 40, the company would take the $12 reserve that had accumulated from each premium during the past 5 years, which would be $60, plus the interest, on the policies of those who died that year, and reach over in the mortality element for the difference—$940—and pay to each of the beneficiaries of those who died ($60 + $940) $1000. In event of the 1 survivor's death at age 96, the $12 accumulated reserve with compound interest from each premium paid on his policy since age 35 would amount to $1000 for his beneficiary.

15. *The Expense Element.*—We will now provide for the expense of procuring and conducting the business. The amount obtained for this purpose is called the expense element or loading. Different companies have different methods of calculating this amount, but when all the various methods are reduced to their last analysis, the result is a percentage of the *net* premium which

at age 35 approximates $7 per annum per $1000 on an ordinary life policy. Hence, these three elements, $9 mortality plus $12 reserve at 3 per cent. compound interest equals $21, the net premium plus $7 expense, equals $28, the gross participating premium for $1000.

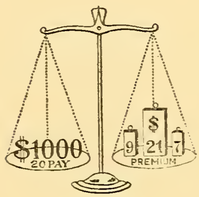
16. In other words, the mortality element in an ordinary life premium is what a policy-holder contributes toward paying the death claims of those who *die;* the reserve element is what he contributes toward paying his *own* claim in event of death, and the expense element is what he contributes toward paying the *expense* of conducting the business.

17. Some prospects object to an ordinary life policy on account of the continuous payments for life. In other words, they prefer a limited payment life policy, covering the productive period of their lives. Hence, the company issues a limited payment life.

18. *A Twenty-Payment Life.*—A twenty-payment life policy promises to pay $1000 or more in event of death during the 20 years, and it guarantees a paid-up policy for the face amount without further payments or medical examination at the completion of the 20-year period, with extension, paid-up or cash surrender option after 3 years. The annual participating rate at age 35 for $1000,

twenty-payment life, is approximately $37, less the dividends. The non-participating rate is obtained by subtracting the estimated dividends from the participating rate.

19. A twenty-payment life policy at age 35 is constructed from the ordinary life premium by increasing the $12 reserve to a sum of money which put at 3 per cent. compound interest for 20 years would amount to the single premium required at age 55 to buy $1000 paid-up for life. We find by adding $9 to the $12 reserve in the ordinary life premium at age 35 that we have approximately $21, which at 3 per cent. compound interest would be the legal reserve. Hence, at the age of 35, the 3 elements of a twenty-payment life premium are as follows: Mortality $9 plus $21 legal reserve at 3 per cent. equals $30, the *net* premium plus $7 expense equals $37, the *gross* annual participating premium for $1000 twenty-payment life policy, with the option of drawing the reserve in cash at the end of 20 years in lieu of a paid-up policy.



20. In other words, we construct from an ordinary life premium a twenty-payment life policy at *any* age by increasing the amount of the reserve which correspondingly increases the amount of the surrender option. Some prospects object to a twenty-payment life policy because

they prefer a policy that will not only, in event of death, give their beneficiary $1000 or more, but one that will also give the insured $1000 in *cash* in event he lives 20 years. Hence, the company issues a twenty-year endowment.

21. *A Twenty-Year Endowment.*—A twenty-year endowment policy promises to pay $1000 or more in event of death during the 20 years or the face amount of the policy in cash at the completion of the twenty-year period, with extensions, paid-up or cash surrender options after 3 years. The annual participating rate at age 35 for $1000 endowment is approximately $49, less the dividend. The non-participating rate is obtained by subtracting the estimated dividends from the participating rate.

22. The twenty-year endowment policy at age 35 is constructed from the ordinary life premium by increasing the $12 reserve to a sum of money which put at 3 per cent. compound interest for 20 years would produce $1000 in cash. We find by adding approximately $21 to the $12 reserve of the ordinary life premium at age 35 we have $33, which at 3 per cent. compound interest would be the legal reserve in a twenty-year endowment premium for $1000.

23. Hence, at age 35, the 3 elements of a twenty-year endowment premium are as follows:

The mortality element, $9, plus $33 reserve at 3 per cent. equals $42, *net* premium plus $7 for expense equals $49, *gross* annual participating premium. In other words, we construct from an ordinary life premium a twenty-year endowment policy at any age by increasing the reserve which correspondingly increases the amount of the surrender option after 3 years. The 10 and 15-payment life, as well as the 10 and 15-year endowments, are constructed from the ordinary life premium by increasing the reserve in the same way.

24. If a company accepts an applicant at age 35, or any form of policy, it is *prima facie* evidence according to the American Experience Table of Mortality that the applicant's chances of dying in 20 years are only 2 in 10. In other words, his chances of living are 8 to 10, hence the question of plan should hinge on the *probability* of living as well as the possibility of death. The law of mortality is as regular as the law of gravitation—when a company has men enough insured for the law to operate.

25. *Surrender Options.*—If for any reason a policy-holder wishes to surrender a policy after it has been in force for three years, life insurance companies will give him in cash the legal reserve that has accumulated to that date on his policy; or if he prefers, its equivalent in extended insurance, without further payment of premium, for as many

years and days as the cash value would carry the face of the policy on a term rate; or, the cash equivalent in paid-up insurance due at death. Companies, as a rule, do not give this cash surrender privilege until the completion of the third policy year, because the initial premium is not sufficient to pay the initial expense of the business.

26. In other words, when the legal reserve and current mortality are set aside, the soliciting agent's commission, examination and inspection fees are paid—the policy is in debt to the company, hence there is nothing due the policy-holder in event of lapse or surrender until the third year. After the third year a small surrender charge is made by many companies in event of lapse or surrender to offset the loss by virtue of *adverse* selection. When an applicant is accepted, the company is bound by the terms of the contract to accept the future premiums when tendered regardless of the applicant's subsequent physical condition, whereas the applicant has the power to terminate the contract at will. Applicants who exercise this power and lapse their policies are alleged to be healthy risks, whereas the unhealthy risks seldom lapse, but they continue their policies until death or maturity. Hence the necessity of a surrender charge, to offset the cost of adverse selection. On the other hand, if the *unhealthy* instead of the *healthy* risks would lapse, then the selection would operate in favor of

the company and *no* surrender charge would be necessary. Some American companies, however, make no surrender charge in event of lapse after the third year. They claim that those who lapse are no better risks than those who remain, hence there is no adverse selection.

27. *Technical Point.*—Some writers on the science of insurance advance the theory of *two* elements in a premium—*mortality* and *expense.* That theory plays hide and seek with the *reserve.* A company may assemble the two elements—mortality and reserve—in *one* account at the Home Office for convenience in bookkeeping and call it the mortality element (if by so doing it serves any useful purpose) just as easily as they can assemble the three elements—mortality, reserve and expense in *one* account and call it a *gross* premium.

AMERICAN EXPERIENCE TABLE OF MORTALITY

Age	Survivors	Deaths	Age	Survivors	Deaths	Age	Survivors	Deaths
10	100,000	749	40	78,106	765	70	38,569	2,391
11	99,251	746	41	77,341	774	71	36,178	2,448
12	98,505	743	42	76,567	785	72	33,730	2,487
13	97,762	740	43	75,782	797	73	31,243	2,505
14	97,022	737	44	74,985	812	74	28,738	2,501
15	96,285	735	45	74,173	828	75	26,237	2,476
16	95,550	732	46	73,345	848	76	23,761	2,431
17	94,818	729	47	72,497	870	77	21,330	2,369
18	94,089	727	48	71,627	896	78	18,961	2,291
19	93,362	725	49	70,731	927	79	16,670	2,196
20	92,637	723	50	69,804	962	80	14,474	2,091
21	91,914	722	51	68,842	1,001	81	12,383	1,964
22	91,192	721	52	67,841	1,044	82	10,419	1,816
23	90,471	720	53	66,797	1,091	83	8,603	1,648
24	89,751	719	54	65,706	1,143	84	6,955	1,470
25	89,032	718	55	64,563	1,199	85	5,485	1,292
26	88,314	718	56	63,364	1,260	86	4,193	1,114
27	87,596	718	57	62,104	1,325	87	3,079	933
28	86,878	718	58	60,779	1,394	88	2,146	744
29	86,160	719	59	59,385	1,468	89	1,402	555
30	85,441	720	60	57,917	1,546	90	847	385
31	84,721	721	61	56,371	1,628	91	462	246
32	84,000	723	62	54,743	1,713	92	216	137
33	83,277	726	63	53,030	1,800	93	79	58
34	82,551	729	64	51,230	1,889	94	21	18
35	81,822	732	65	49,341	1,980	95	3	2
36	81,090	737	66	47,361	2,070	—	—	—
37	80,353	742	67	45,291	2,158	—	—	—
38	79,611	749	68	43,133	2,243	—	—	—
39	78,862	756	69	40,890	2,321	—	—	—

NET NATURAL PREMIUM RATES AT 3%

For $1,000 of Insurance Payable in Event of Death

AGE	RATE	AGE	RATE	AGE	RATE
10	$7.26	40	$9.50	70	$60.18
11	7.29	41	9.71	71	65.69
12	7.33	42	9.95	72	71.58
13	7.35	43	10.21	73	77.83
14	7.37	44	10.51	74	84.49
15	7.42	45	10.83	75	91.62
16	7.44	46	11.22	76	99.32
17	7.46	47	11.65	77	107.83
18	7.51	48	12.14	78	117.30
19	7.53	49	12.72	79	127.88
20	7.57	50	13.38	80	140.25
21	7.62	51	14.11	81	153.99
22	7.67	52	14.94	82	169.21
23	7.73	53	15.85	83	185.98
24	7.77	54	16.89	84	205.20
25	7.82	55	18.03	85	228.69
26	7.88	56	19.30	86	257.93
27	7.95	57	20.70	87	294.20
28	8.02	58	22.26	88	356.59
29	8.11	59	24.30	89	384.33
30	8.17	60	25.92	90	441.31
31	8.26	61	28.03	91	516.96
32	8.35	62	30.38	92	615.79
33	8.46	63	32.94	93	712.79
34	8.57	64	35.79	94	832.18
35	8.68	65	38.95	95	970.87
36	8.81	66	42.44	—	—
37	8.97	67	46.26	—	—
38	9.12	68	50.48	—	—
39	9 30	69	55.10	—	—

NET LEVEL ANNUAL PREMIUM RATES AT 3%

For $1,000 of Insurance Payable at Death

AGE	RATE	AGE	RATE	AGE	RATE
10	$11.95	40	$24.75	70	$101.33
11	12.15	41	25.62	71	107.50
12	12.36	42	26.54	72	114.12
13	12.58	43	27.52	73	121.23
14	12.81	44	28.56	74	128.91
15	13.05	45	29.66	75	137.24
16	13.29	46	30.84	76	146.35
17	13.55	47	32.09	77	156.35
18	13.83	48	33.43	78	167.40
19	14.11	49	34.85	79	179.65
20	14.41	50	36.36	80	193.31
21	14.72	51	37.97	81	208.49
22	15.04	52	39.68	82	225.48
23	15.38	53	41.91	83	244.69
24	15.74	54	43.46	84	266.83
25	16.11	55	45.54	85	292.73
26	16.51	56	47.76	86	323.13
27	16.92	57	50.13	87	358.58
28	17.35	58	52.66	88	399.35
29	17.80	59	55.37	89	446.40
30	18.28	60	58.27	90	502.68
31	18.79	61	61.36	91	572.39
32	19.31	62	64.68	92	656.07
33	19.87	63	68.23	93	743.75
34	20.46	64	72.03	94	849.07
35	21.08	65	76.11	95	970.87
36	21.74	66	80.48	—	—
37	22.43	67	85.17	—	—
38	23.16	68	90.19	—	—
39	23.93	69	95.57	—	—

REVIEW QUESTIONS

How is the American Experience Table of Mortality obtained? Name two general systems of life insurance. Define each. How are the premium rates of the natural system obtained? State objections to the natural premium system. How does the scientific system cure the defects of the natural premium system? What is the unit in the scientific system of life insurance? Define an ordinary life policy. How is the gross premium of an ordinary life policy for $1000 at age 35 obtained? Name and define the three elements of a premium. For what specific purpose is each of the three elements contributed? Define the difference between a net and a gross premium. Why do some prospects object to an ordinary life policy? Define a limited payment life policy.

How is the gross premium on $1000 Twenty-Payment life policy at age 35 obtained? Why do some prospects object to a limited payment life policy? Define an Endowment policy. How is the gross premium on a Twenty Year Endowment policy for $1000 at age 35 obtained? How is a non-participating rate obtained? Upon what should the question of policy plan hinge? What are surrender options? How and when are surrender options given? From what element in the premium are surrender options available? What is necessary to insure regularity in the law of mortality? Is the initial annual premium sufficient to pay the expense of procuring and establishing a policy?

LESSON II

DIVIDENDS: PARTICIPATING AND NON-PARTICIPATING

Dividends

Participating and Non-Participating

Source of Dividends

Our aim in this lesson is to impart a working knowledge of dividends, their source and methods of distribution. In doing so, we have tried to thread our way through conflicting interests with impartiality; if, by any manner of interpretation we have failed in our aim, kindly advise us and we will change the phraseology on any point to compass that end.

1. We learned in the last lesson that the three elements of a participating initial premium for $1000, Ordinary life policy at age 35, were approximately: $9 mortality, $12 at 3 per cent. reserve and $7 expense, making the total gross premium $28.

2. The mortality element in a premium is based on the theory that the insured will continue his policy until death or maturity, but owing to a favorable medical selection, the amount required may be 20 per cent. less than the amount collected, hence there would be a saving from the mortality element of $1.80; the reserve element may be calculated on a 3 per cent. interest basis, whereas the average interest earnings of the company may be 5 per cent.; hence there may be a saving from

the excess interest earnings over and above the legal requirement of 2 per cent.; and the expenses of conducting the business may be $5 instead of $7, hence there may be a saving from the expense element of $2. The savings from these different elements at the end of a policy year are commonly called surplus, profits or dividends.

3. *Participating.* A participating or annual dividend policy is one on which the gross premium is collected in advance and the savings are returned in the form of cash dividends to the policy-holder or as a credit on his next premium at the end of the policy year, or their equivalent in paid-up additions to the face of the policy. In other words, if the savings from the various elements of a $28 participating rate at age 35 on a $1000 ordinary life policy at the end of the policy year amount to $4, the policy-holder would be credited with the same in cash, or on his second premium or paid-up additions. The percentage of savings or dividends from the first year's premium would be $4 divided by $28 or 14 per cent.

4. *Non-Participating.* A non-participating policy is one from which the savings or dividends *expected* to be earned by a company are estimated and deducted in advance from the gross participating rate. In other words, if the gross participating rate at age 35 for $1000 ordinary life policy is $28 and the average expected savings or dividends at the end of the policy year is estimated at $6, the

non-participating rate would be $28 minus $6 or $22. The same is true of the rate on participating limited payment life and endowment policies. Hence, the difference between a participating and a non-participating policy is simply the difference in the method of returning the savings or dividends to the policy-holder. The participating policy collects the gross premium and returns the savings to the policy-holder at the end of the policy year, less a certain amount, generally fixed by law, to meet unforeseen contingencies; whereas, the non-participating policy estimates the average dividend expected to be earned and deducts it in *advance,* less a certain amount, generally fixed by law, to meet unforeseen contingencies; hence it gives a lower fixed rate in lieu of dividends.

5. The non-participating policy claims a lower rate during the earlier years of its history, whereas the participating policy claims a lower rate during the later years. The participating rate is more than the actual cost, for the same reason that the estimated savings or dividends on a non-participating policy are less than the savings or dividends expected to be earned; otherwise, the premium rates in both cases, under adverse circumstances, might prove too low.

Dividends

6. Dividends or profits do not always indicate the relative earning power of a life insurance com-

pany. A soliciting agent may select a favorable year for dividend comparison that would be misleading if compared with an unfavorable year of another company, whereas the result might be reversed when compared with a long period of years. The only fair way to determine the relative earnings of a company is to take a long period of years which will embrace favorable and unfavorable experience. In other words, you should take the *lean* as well as the *fat* years.

7. Dividends vary from different causes. The expense element, for illustration, may be larger or smaller in the premium of one company than it is in the premium of another, which would affect the savings from that source. Some companies may have no savings from the expense element because that element was *small* to begin with; whereas another company may have a large saving from that element because it was *large* to begin with. A company with a large expense element and a high interest basis—such as 4 per cent., with a corresponding lower legal reserve, will have a larger margin of savings or dividends from that source than a company with a smaller expense element and a low interest basis—such as 3 or 3½ per cent., with a corresponding higher legal reserve; hence the dividends in that case would not indicate the real comparative earning power of the two companies.

8. These inequalities are frequently indicated

by the difference in the amount of the premium for the same age and plan in different companies. The mortality element in one company may fluctuate more than the same element in another, on account of the company having a smaller number of lives insured than the table on which the mortality element is based; hence the savings from that source may vary from that cause. The favorable mortality of a small company during a certain year may be reversed when extended over several years—and *vice versa.*

9. In dividend comparison you must be certain to compare *like* with *like.* The ages, amounts, plans and rates should always be the same. If there is a difference in the premium rates between the two companies, on the same plan and age, the cause should be ascertained and the comparative difference should be considered accordingly.

10. Avoid, if possible, percentage comparison. In other words, you may be talking a participating endowment with an 8 per cent. dividend to a prospect while your competitor may mislead him with a 10 or 14 per cent. dividend on a *cheaper* plan. For illustration, if the annual dividend is \$4 divided by \$49, the participating rate on an endowment for \$1000 at age 35, the dividend percentage would be 8 per cent.; if the annual dividend is \$4 divided by \$37, the participating rate on a limited payment life for the same age and amount, the dividend percentage would be 10 per cent.;

and, if the dividend is $4 divided by $28, the participating rate on an ordinary life policy for the same age and amount, the dividend percentage would be 14 per cent.; hence it is obvious that your competitor could show an unfavorable percentage comparison if he used the percentage on the ordinary life or a limited payment policy in comparison with the percentage on your endowment; whereas the true percentage, when you compared *like* with *like,* might be in your favor. The dividends in dollars and cents may be exactly the same on each of the three plans, but the *percentage* varies according to the comparative size of the premium.

11. In comparing a non-participating with a participating policy of the same age, amount and plan, the *difference* between the participating rate and the non-participating rate represents the dividend on the non-participating policy. In other words, if the participating rate on a limited payment life policy for $1000 at age 35 is $37 and the non-participating rate on the same plan, age and amount, is $30, the $7 difference in premium represents the dividend on the non-participating policy. Likewise, if the dividend at the end of the first year on the participating policy in question is $4 divided by $37, the participating rate, the dividend would be 10 per cent.; whereas if you divide the $7 difference between the two rates by $37, the non-participating dividend would be 18 per cent.

Distribution Methods

12. In the earlier history of American life insurance, dividends were paid on participating policies at irregular intervals. Some companies then established the practice of paying dividends at regular intervals of five years until the practice of paying them annually has finally evolved. Companies that pay annual dividends begin, as a rule, at the end of the first policy year, when the second annual premium becomes due and pay the dividend at the option of the policy-holder, either (1) in *cash;* or (2) cash applied to reduce the premium; or (3) in cash applied to buy paid-up insurance to be added to the face of the policy; or (4) in cash applied to buy an annuity on the life of the insured. The first two of these methods, however, are the most popular forms of annual distribution.

13. *Deferred Dividends.* Another form of distribution on participating policies is known as the deferred dividend. Under this plan of distribution, the gross or full premium is paid each year on any form of policy until the completion of a certain period, usually 5, 10, 15 or 20 years. The applicant determines the length of the period at the time of application and he agrees that no dividends are to be paid on his policy until the completion of the period selected. If he dies or surrenders his policy during the period, he *forfeits* his dividends to those of his class who live and complete the distribution period. On the other hand, if

he lives and maintains his policy in force until the completion of the deferred dividend period, he receives his share of the dividends that were forfeited by others in his class, in *addition* to the regular accumulated dividends or savings on his own policy.

14. The *difference* between the *results* at maturity and the *estimates* given at the time of the application created dissatisfaction among many policy-holders and the life insurance companies operating under the New York State Insurance Department have ceased issuing the deferred dividend form of distribution.

15. The very large proportion of the outstanding insurance of many companies in the United States is issued on the deferred dividend form of distribution; hence you will be questioned by policy-holders who have that form of policy. With this fact in view and the fact that many of our students are not as yet actively engaged in life insurance, as well as many other students who represent companies that now issue that form of policy, we will throw more light upon that subject.

16. The question of *difference* between the estimates and results does not argue that the estimates were padded "to get" the applicant or that the results were shaved "to beat" him. On the contrary, there is reason to believe that the estimates were correct at the time they were made by the company and presented by the solicitor. If

at the maturity of these deferred dividend policies, you had the opportunity to make the settlements, you would realize that the *difference* is not so much between the *results* and *estimates* as it is between the results and the policy-holders' expectation. If you investigated the basis for that expectation, you would often find that it rests upon the policy-holders' cupidity and imagination. When a policy-holder gets *more* than he expects at the completion of a deferred dividend period—he is *silent;* but, when he gets *less,* you can hear about it for miles around him. The crux of the question is *not* whether the deferred dividend result is greater or less than the estimate, but whether or not it is all that is due him. If it is all that is due him, then by his complaint he does the company and the ethics of the business a violent injustice; on the other hand, if it is *not* as much as is due him, the company is responsible, the doors of the courts are open and he knows his remedy.

17. It is true that in some cases the *result* is less than the estimate. The policy-holder in that event is entitled to an explanation. It must be remembered that in the majority of cases, the estimate and result are 20 years apart. The "estimate" was an illustration of what the deferred dividend should be when the policy matures. This was based on *past* experience of the company; whereas the *actual* deferred dividend is paid on a *future* experience. If the con-

ditions upon which the company forecast the "estimate" had remained the same, the result at maturity would be the same.

18. The deferred dividend policies when issued were void in event of suicide, or if the applicant engaged in any one of many prohibited occupations, or traveled in a foreign country. They contained but one option in event of lapse—a paid-up policy. The companies at the time they made the "estimates" expected these conditions to continue, but these conditions were changed, not by the company, but by legislative enactments, competition and judicial decisions. These changes, for illustration, compelled the companies to pay suicide claims; to give extended insurance after three years in event of lapse; to give 30 days grace in payment of premium, freedom of residence, travel and occupation—all of which cost money. These changed conditions were not reckoned with when the "estimates" were calculated.

19. A large number of applicants in America prefer the deferred-dividend method of distribution. They calculate that their chances of living to the completion of the deferred-dividend period are greater than their chances of dying during that period. They argue that the dividends received in *one* sum at the completion of the period are worth more to them at that time in life than they would be if received in small amounts by the annual distribution method. Their view is strengthened by

the further fact that in addition to the accumulated dividends on their policies, they will also receive their share of the dividends of their class who died or lapsed. They are conscious of the fact, that if they die during the period they will forfeit their dividends; but they are also conscious of the fact that if they die during the period their beneficiaries would receive the *face* amount of the policies—which may be 100, 500, 1000 per cent. more than the insured had paid. They argue that the deferred dividend method of distribution is a check on lapse. In other words, the fear of forfeiture makes them persistent, steadies the business and spreads the beneficent character of insurance.

Organization

20. *Mutual, Stock and Mixed.* Old line or level premium companies are divided into three classes—mutual, stock and mixed. A mutual company has no capital stock, except the assets contributed by the policy-holders. The company is owned by the policy-holders who elect a governing board of trustees. The trustees elect the executive officers. A stock company is a company with a stock capital which is owned by the stockholders (shareholders) who elect a board of trustees. The trustees elect the executive officers. A mixed company is a stock company with the distribution methods of a mutual company and the government of a stock company. In other words,

the theory of a mixed organization is that it combines the advantages of the other two kinds of organizations and eliminates the disadvantages.

21. The dividends expected to be earned by stock companies issuing a non-participating policy are returned to the policy-holders in the form of a *lower* premium rate instead of by annual or deferred dividend methods as previously explained. The dividends on the capital stock of a stock company are usually limited by the law in America to the regular rate of interest. In other words, the interest received by the stockholders on their money invested in the capital stock is no more, as a rule, than they would receive had they invested their money in other ways. Their interest earnings come from the investment of the money represented by the stock, and not from the policy-holders or their savings.

22. *Assets and Surplus.* The assets of all life insurance companies consist of the legal reserve and surplus on all outstanding policies—every dollar of which is held in trust by the companies like the deposits in a bank for the use and benefit of the policy-holders. It must be returned to them, or to their beneficiaries, heirs or assigns, either at death, maturity or surrender. The surplus is the *difference* between the total amount of assets and the legal reserve required at 3 or 3½ per cent. compound interest to fulfill all outstanding policy obligations.

23. *Industrial Insurance.* Industrial life insurance companies in America in contradistinction to the regular ordinary companies, issue policies averaging $150 in amount on weekly premium payments ranging from 5 cents to 70 cents for the purpose of creating a burial fund. A certain number of these contiguous policy-holders compose a district designated as a "debit." A collector calls each week for the premiums on the debit.

24. The amount of the *premium* determines the amount of insurance on an industrial policy; whereas the amount of the insurance determines the amount of the premium on an ordinary policy. Nearly all of the industrial companies write the regular ordinary forms of policy contracts.

25. This course of instruction is not intended to teach the science or art of writing industrial insurance.

REVIEW QUESTIONS

Upon what theory is the mortality element in a premium based? Why is the gross amount of a premium collected always more than the amount required? From what element do savings accrue? What are the savings commonly called? Define a participating annual dividend policy. Define a a non-participating policy. How is a dividend percentage obtained? Why is a participating rate more than the actual cost? Why are the estimated savings on a non-participating rate less than the dividends expected to be earned? Do the annual dividends always represent the relative earning power of a company? Define a fair method of determining the relative savings of a company. Why do dividends vary in different companies? Why do the premiums for the same amount, age and plan differ in different companies?

Why does the mortality element fluctuate in some companies more than in others? How should dividend comparisons be made? Why should you avoid percentage comparisons? What represents the dividend when comparing non-participating with participating rate? In what way are false dividend comparisons made? How were dividends paid during the earlier history of life insurance? When do participating companies pay dividends? Define deferred dividends. Why are deferred dividend results sometimes less than the previous estimates? How are level premium companies divided as to organization?

LESSON III

POLICY-CONTRACTS IN LIFE INSURANCE

Policy Contracts in Life Insurance

The purpose of this lesson is to give you a bird's-eye view of policy forms and their salient features with the reason for their conditions, restrictions, benefits and privileges.

1. The first life insurance contract of which we have record was written on the 18th day of June, 1583, by and between a few merchants of London on the life of one man. The payer of the premium would win if the insured died within a specified time and the insurer would win if the insured survived the period. The contract was a bet or wager that would now be void in law—but it was the beginning of life insurance.

2. Individuals in those days acted as insurers. But in time and the natural evolution of the business, the insurers shifted from individuals to regular life insurance companies, because an individual insurer might die before the insured, whereas a life insurance company is presumed to live always. The beneficiaries also shifted from those who had *only* a financial interest in the insured's *death* to those who had a financial interest in the insured's *living*. In other words, the beneficiary must now have an interest in the

continuance of the life of the insured and not merely a monetary interest in his death.

3. A policy contract is based on a proposal in the form of an application with a detailed statement of the applicant's personal, physical and family history together with a report of a medical examiner who has made a verbal and physical examination of the applicant. If the application is approved, the policy is issued upon the truth of the statements and in consideration of the first premium and the payment of the future premiums when they become due.

4. The applicant is the *insured;* the person to whom the policy is payable is the *beneficiary;* and the company is the *insurer.* There are three parties to the contract:—the applicant, the beneficiary and the company. The policy is evidence of the terms and conditions in which the minds of the parties met and agreed. The motives involved in framing the contract must be governed by equity, justice and public policy.

5. *Policy Forms.* Life insurance companies issue a large variety of policy forms or plans, to meet the various needs, financial conditions and circumstances of applicants. The Ordinary life, Limited payment life and Endowment policies, previously explained, are the three popular forms. To these may be added what is known as a term policy which covers protection only for a short term of years and then expires like fire insurance.

It is the cheapest policy form issued and it is designed only for temporary protection.

6. The limited payment and endowment forms of policies give several *options* of settlement in event of death or maturity and they also provide for cash or loans, extensions and paid-up values in event of surrender after three years. It requires the first three years as a rule for a policy to pay itself out of debt to the company, hence there is nothing due to the applicant in event of surrender until the third year. The applicant can reserve the right to change the beneficiary or he can make it absolute. A policy like other contracts may be assigned at any time.

7. The policy is the entire contract and the company agrees to pay the face amount immediately in event of death. The evidence of death is given to a company by a series of sworn certificates on one paper sheet, known as *proofs of death.* Under the laws of most States a policy made payable to a wife or children is not liable for the debts of the insured. If a question of interpretation of a policy contract or a conflict between written and printed clauses occur, preference is always given to the *written* clauses and against the framers who are presumed to be familiar with the technicalities.

8. *Conditions, Privileges and Restrictions.* The truth of the statements contained in the application and medical report are conditions pre-

cedent to the issuance of a policy; whereas the payment of the premiums is a condition to the continuance of the insurance. Statements in the policy contract setting forth the respective rights of the parties to the contract should be clear and distinct. Policies should become incontestable within a reasonable length of time from the date of issue, except for failure to pay premiums. Conditions should be imposed that would discourage and prevent fraud. That which is not prohibited in a contract is permitted, according to a well established principle of law. Hence, some *privileges,* such as travel, residence and occupation, would *exist* just the same under that legal principle—if not mentioned as privileges, so long as they were not *prohibited* in the contract. In other words, what is not restricted or forbidden is an implied privilege.

9. The following classification of conditions and restrictions of American life insurance companies will give you a broad view of the subject and the reasons for their existence:

(*a*) Only a few of the American companies accept risks over sixty years of age. Experience teaches that many people who have passed the productive period of their lives, have allowed themselves to be used as subjects of speculation. There is no objection, as a rule, however, for limiting the age, if the *applicant* pays the premium himself as a means of investment and a method of increasing

his estate. A man would not, if he could, speculate on his own life.

(*b*) The majority of companies have a clause in their policies that makes them incontestable after one or two years. Life insurance companies are divided by two points of view on that question. One class believes that an applicant should be responsible for the *truth* of his own statements for a reasonable length of time—one or two years—and thereby save the company—which is but another word for policy-holders—the expense of an investigation; whereas another class believes that the incontestable clause should be in force from date of issue and that a company should make an investigation as to the truth of an applicant's statement *before* the policy is issued and then act accordingly. Hence, it resolves itself into a question of opinion which is better settled by a principle of law that—fraud vitiates any contract. In other words, where a company reserves the right to contest a policy for mis-statements in event of death within a specified time—one, two or three years—a court would bar them after the expiration of that time from questioning the truth of the statements—because the company reserved the right to verify them, and if they failed to do so, they could not take advantage of their own *negligence.* On the other hand, an incontestable clause from date of issuance has but little force except as a talking point, because in event of death all a company

would have to do to contest a claim would be to *allege fraud.* Hence, the incontestable clause reserving one or two years, gives the beneficiary, in event of a contest, a better standing in court.

(*c*) A majority of companies accept women on the same policy forms and rates as men. Some charge them an extra premium; others restrict them to certain forms of policies; only a few refuse to insure them. Experience confirms that when the moral and speculative hazards are eliminated, women are as good, if not better risks than men.

(*d*) A majority of companies have one or two years' restrictions with regard to suicide and hazardous occupations. Some companies accept applicants in hazardous occupations and charge an extra premium in proportion to the risk; whereas other companies accept them only on the higher premium forms of policies. Experience proves that men seldom change from a less to a more hazardous occupation, hence these restrictions are gradually being modified or eliminated. It is a legal assumption, that a sane man will not commit suicide, hence, if a policy-holder commits suicide he is insane. An insane man cannot commit a fraud, hence a company must pay a suicide claim. There is reason to believe, however, that there are exceptions to that presumption, because some men who appear to be rational commit suicide, hence we believe that suicide is always a subject for judicial consideration.

(*e*) All companies have a clause in their policy that it shall not become effective and binding until delivered during the lifetime and good health of the insured after the first premium has been paid. Most companies also attach to the policy a copy of the application. Courts have held that it is the duty of the applicant to notify a company of any change in his physical condition that may have occurred between the date of an application and delivery of the policy, *unless* the premium was paid and a binding receipt issued at the time of the application. When an applicant does not pay the premium at the time of the application, he is in a position to procrastinate and if he does so—it should be at *his risk*.

(*f*) The majority of companies have restrictions in regard to military and naval service in time of war. Some companies require an extra premium; others require a permit or scale the claim in event of death, and a few have no restrictions. Years ago the proportion of men insured to the population was so small that this hazard was hardly worth consideration, but the proportion of men insured to the population is much greater now, hence public policy seems to require some restrictive clause covering military and naval service in time of war. The continuance of the company is the paramount consideration in life insurance, hence a wide open policy on some points might prove dangerous.

(*g*) The majority of companies have no restrictions against intemperance, residence and travel. Some companies restrict for one, two or more years and a few are constant. The care exercised by companies in the selection of risks eliminates persons of questionable habits. The improvements in sanitary conditions eliminate most of the residence restrictions. The premium rates are higher in the tropics on the same forms of policies in order to neutralize the higher mortality of that section.

(*h*) The majority of companies provide for thirty days' grace in the payment of renewal premiums; also, provide for reinstatement under specified conditions in event of lapse. All companies have some form of non-forfeiture provisions after three years—either by way of cash, loans, paid-up or extended insurance. The purpose of thirty days' grace in payment is to avoid lapse. This, however, is a questionable benefit. There must be a *last* day in the payment of premiums, hence it may as well be the premium date, as thirty days later. Reinstatement in event of lapse is, as a rule, subject to re-examination or a medical certificate of good health at the applicant's expense. Otherwise, men who lapsed and contracted disease would hasten to revive their policies, with an adverse selection operating against the company.

10. *Standard Provisions.* The majority of

States in the United States require in substance several or all of the following New York standard provisions in all policy forms:

(I.) The insured shall have substantially one month's grace in which to pay the premiums after the first year.

(II.) The policy shall be non-contestable after two years from its date of issue.

(III.) The policy shall constitute the entire contract, or, if the application is to be deemed a part of the contract, a copy of the application must be indorsed on or attached to the policy proper.

(IV.) If the age of the insured has been misstated by him, the policy shall, in effect, be for the amount which the agreed premium thereon would have purchased at the correct age.

(V.) The policy shall participate annually in the surplus of the company, if written by a participating company.

(VI.) The policy shall specify the options to which the policy-holder shall be entitled on lapsation after three full annual premiums shall have been paid.

(VII.) The policy shall specify that the policy-holder shall be entitled to a loan thereon equal to the full reserve, less certain specified deductions, after three full years' premiums have been paid.

(VIII.) The policy shall include a table of loan values and surrender options available to the

policy-holder during the first twenty years of the policy.

(IX.) The policy shall also, in certain cases, include a table showing the amounts of instalments or annuity payments.

(X.) The policy-holder shall be entitled to have his policy reinstated within three years after lapsation, on production of satisfactory evidence of insurability and the payment of all arrearages with interest.

11. The statute also provides that companies may include any other policy provisions more favorable to the insured than those above indicated.

12. *The Best Policy.* Life insurance companies issue a variety of policy forms sufficient to suit the wants and conditions of all applicants. Some companies report as high as one hundred and fourteen different forms of policy contracts to the State insurance departments. One policy form, however, is the mathematical equivalent of another regardless of name—just as $6/12=\frac{1}{2}$, or $9/12=\frac{3}{4}$; hence, there is no such thing as one policy form being better than another from an actuarial point of view; but one policy form *is better* than another from the applicant's point of view. In other words, one policy form is better than another form just in proportion as it better fits the age and circumstances of the applicant. When the idea that one policy form is *intrinsically*

better than another is removed from your mind, then there remains no motive for you to present or advise a prospect to apply for any form of policy other than the one best adapted to his age, needs and circumstances.

REVIEW QUESTIONS

When was the first life insurance contract written? Why was it a bet or wager? Why did the business of life insurance shift from individuals to regular companies? From what and to what did the beneficiaries also shift? Upon what is a policy contract based? Who is the insured? Who is the beneficiary? Who is the insurer? How many parties are there to the contract? A policy is evidence of what? What motives govern a policy contract? Why are the large variety of policy forms issued? Name the three popular forms? Can an applicant reserve the right to change the beneficiary? Can a policy be assigned? What constitutes the entire contract? What are proofs of death? When are policies liable for the debts of the insured? How are policy contracts interpreted? What are the conditions precedent to policy issue? On what condition is the insurance continued? What is an implied privilege? Why do life insurance companies, as a rule, refuse to accept risks over sixty years of age? Can a life insurance company take advantage of their own negligence? What rule of law governs privilege in policy contracts? Is an incontestable clause from date of issue stronger than a clause running for three or four years? How do women compare with men as insurance risks? Why are hazardous occupation restrictions in policies being gradually eliminated? What legal assumption arises in event of suicide? When does a policy become effective and binding?

LESSON IV

THE ART OF PROCURING PROSPECTS

The Art of Procuring Prospects

Prospects

The Endless-chain and Cross-road methods of procuring prospects as taught in this lesson will give you the largest average number of applications to interviews with the least expenditure of time, energy and money—the acid test of all methods. Straight canvassing for Ordinary life insurance is an expensive and time-wasting method. It invites competition by leaving the way open for your competitors to enter the circle of your applicants' acquaintance and establish business among their neighbors, relatives and friends. The conflict of opinion that follows in its wake also affords a favorable opportunity for competitors to lapse or twist your business.

1. A prospect in life insurance is any man or woman who can get and pay for a life insurance policy. There are two classes of prospects—*doubtful* and *hopeful.* These two classes are determined by your *method* of procuring them. In other words, you can interview one hundred prospects procured by *one* method and secure one application, whereas you can interview one hundred prospects procured by another method and secure seventy applications. The number of interviews, time and energy expended is practically

the same in both cases, but the result among the hopeful prospects procured by one method would be seventy times greater than the result among doubtful prospects, procured by the other method.

2. The elements that differentiate hopeful from doubtful prospects and the *best* method of procuring them are fundamental truths in the art of soliciting. The elements are as follows:

(I.) *Married or Single.* Your average number of applications to interviews will be higher among married men.

(II.) *Occupation.* It determines whether or not a prospect is eligible for life insurance and it indicates his salary and average intelligence.

(III.) *Health.* The higher standard of physical, moral and financial risks you select for prospects, the higher will be your average of approved and accepted applications by the company.

(IV.) *Confidence.* Your average will be higher among prospects who are acquainted with you or with some one who is, than among prospects who have no direct acquaintance with you, or some one who has. There are but few prospects who will act on their own judgment in applying for life insurance, hence the element of confidence is an important one in securing applications. A prospect may be ever so hopeful in other respects, but if he lacks a favorable acquaintance with you or some one who knows you, you cannot as a rule secure his application without *wasting* a great

deal of your time and energy in repeated interviews and solicitations until you develop his confidence to a point where he will act on your suggestion. In fact, the element of confidence can be developed so strong by our method that prospects will often sign an application blank without question, rate or explanation of the policy form. There are other elements that help to determine hopeful prospects—size of family, financial circumstances, amount carried, character, habits, height and weight.

(V.) *Age.* Ages from 21 to 60, as a rule, are eligible for life insurance. The average number of applications to interviews are higher among the ages ranging from 21 to 41 than among a like number of ages ranging from 41 to 60; hence, the age of a prospect is an important element. Your average will be higher among ages from 21 to 41 than among older ages because the motive and necessity of protection for wives and children are greater; the limited payment plans of insurance are better adapted to the younger ages and the rates are lower. We do not wish to convey the idea, however, that you are not to procure applications from prospects who are over 41 years of age. On the contrary, procure all the applications on *good* risks that you can. The point we make is one of *average.* It is not good judgment to utilize your time and energy interviewing the older ages with the law of average operating against you,

unless you have a good reason to believe that the prospects will insure.

3. *Method.* You can secure some applications by any method of procuring prospects. In other words, you can nail your proposition on a board and fasten it on the back of a mute, and if he backed up to enough people, he would procure some hopeful prospects at a great waste of time and energy, hence a very poor method. The question is *not* what method will procure prospects, but the question *is* what method will procure the *greatest* number of hopeful prospects with the *least* expenditure of time, energy and expense. It is not only necessary to have prospects—men who can get life insurance and pay for it—but it is necessary to have *hopeful* prospects, and have them in plenty at all times because they are your stock in trade and you cannot do business without them any more than a merchant could do business without a stock of goods. We will now apply the acid test of method to some of the common methods used by soliciting agents to procure prospects.

4. *Straight Canvassing.* This method is a house to house, door to door, and office to office method, sometimes called "Raw-Soliciting." In the application of our test, we refer only to straight canvassing for Ordinary and not to Industrial insurance, which is a different proposition. The straight canvassing method is a practical waste of time and energy compared with better

methods. It is solicitation among strangers by a stranger to procure prospects, and *then* ascertain by direct interrogations from them whether or not their financial, personal and physical history makes them *hopeful* or *doubtful.* Nine times in ten the soliciting agent fails to procure anything except that the man will not listen to him, or tell him that he has all the life insurance that he wants, or slams the door in his face.

5. If, however, a prospect does lay aside his reserve and enter into a detailed statement of his personal and family affairs with a strange soliciting agent, the chances are nine to ten that he will not apply for insurance, no matter how hopeful he may be in other respects, because the element of confidence is lacking. He does not know the soliciting agent or any one who does, and he will not put himself to the trouble to investigate, hence declines to accept the proposition. This method does not meet the test at any point; in fact, we cannot conceive of a method of procuring prospects that could waste a greater amount of time and energy.

6. Other methods advise you to keep your eyes and ears open—watch real estate transfers, catch the money the seller will have to invest, and sell the buyer who bought the property on partial payments, a policy to protect his estate in event of his death; watch the personal items in newspapers—marriages, promotions of salaried men and new

comers in the professions and business circles around you.

7. There is no doubt but what you could procure some business by these methods, but you would not exist long if you depended on them in the life insurance business. They have all the disadvantages of straight canvassing with the further disadvantage of restricting your field of operation and limiting it to the contingencies of these events —a method that plunges you in competition with soliciting agents of every other company who, by virtue of the same method, would have the same prospects. These disadvantages could be modified some, if you could compel enough people to sell property and enough others to buy it on time; and if you could compel people to marry, or business men to raise the salaries of their clerks, or professional men to settle around you fast enough to keep you busy. These methods will not stand the acid test by giving you the largest number of hopeful prospects with the least expenditure of time and energy. We know of but two methods that will—one applied to cities and the other applied to country territory.

The Endless-Chain Method

8. *Cities.* We will illustrate the city method by assuming that you are a stranger in a city. Having made all the preliminary arrangements as to your contract and territory, you should first

acquaint yourself with the business and residence sections of the city, names of streets and avenues, locations of the principal buildings, banks, manufacturing plants, churches, parks and monuments —all of which will assist you in locating prospects without loss of time or inconvenience.

9. Select a vocational line of men whose salaries would enable them to carry $1000 or more life insurance. Men who by education or environment are easy for you to approach. We will assume for illustration that you select a line of compositors (printers), or any one of the many other vocational lines found at the conclusion of this lesson. If compositors, ascertain the name and address of one from a directory or a printing office, call on him at his residence, ostensibly to secure his application, and at the close of the interview, ask him to give you the names and addresses of a few compositors among his friends and acquaintances in the plant where he works, or elsewhere in the city.

10. He will no doubt reply that he knows of no one desiring insurance. Tell him that you will ascertain that, all you desire from him is the name and address. Having made a memorandum of the names and addresses of the prospects he will give you, *eliminate the doubtful ones,* by asking him the approximate age of each (you know their occupation), whether married or single; ask as to their health, marking off those who are in questionable health or over 41 years of age. You are

a stranger to the prospects he gives you, but if your informant has formed a favorable opinion of you and your proposition his influence will operate in your favor among them.

11. You then interview each one of the prospects he gives you, and whether you procure their application or not, ask them at the close of the interview to give you the names and addresses of other compositors among *their* friends and acquaintances. You then eliminate the doubtful ones, as you did in the previous instance, and thus continue your interviews and prospect-procuring until you have a list of one hundred or more as a *working basis.*

12. If the line you select does not contain a sufficient number for a working basis, work one or more lines in connection with it. When your acquaintance and business are well established in one or more of the lines you select, then utilize the *endless*-chain method to procure hopeful prospects in all directions. In other words, procure among your policy-holders and friends in the line you are working, the names and addresses of hopeful prospects among their relatives, friends and acquaintances in other lines. Then, in turn, procure from those prospects the names and addresses of others among their relatives, friends, and acquaintances, *ad infinitum.*

13. The endless-chain method eliminates doubtful prospects at the time procured and saves the

time and energy otherwise wasted in ascertaining by direct personal interviews the fact that this prospect is too old, that one is engaged in a prohibited occupation; this one is single with no dependents, that one is in poor health, or the other will not insure because he does not know you, or your company or any one who does.

14. It is a physical impossibility to interview a prospect procured by the line or endless-chain method who does not know you or some one who does, hence the element of confidence and the current of influence are always operating in your favor. The growth and expansion of your business by these methods is limited only by your time and strength. If a competitor crosses your line or endless chain, the chances in the larger cities are that your prospects do not know him or any one who does, hence you can invoke their influence and bring it to bear in a way that will secure to you the application in competition. In other words, you are master of the situation.

15. You must also keep in mind the process of elimination that is operating to reduce the number of your hopeful prospects. You must maintain your full quota by constantly adding to it as a working basis; otherwise, your list would soon become exhausted. The number of prospects is so large in some lines in some cities that it would require years to exhaust them, hence the temptation will come to you sooner or later to operate in

one line as your acquaintance in that line grows. There are many reasons why you should not yield to this temptation, but you should branch out, sooner or later, with the endless chain among other lines and in all directions. If you continue in any one line to the exclusion of all others you will limit your experience to the boundaries of that line. Your highest development comes through the endless-chain method operated in *all directions*. Your growth is limited only by the heights and depths of all classes—the horizon of your mind broadens and you grow from day to day in *experience,* which is but another name for wisdom.

16. *Country Territory.* City prospects are compassed in a small area within the corporate limits. Country prospects are scattered within the limits of a county or state. The city soliciting agent can interview any one of a thousand or more prospects by the expenditure of a few minutes and five cents. The country soliciting agent must make a journey to interview his prospects, with the expense of railroad fare, livery and hotel bills. The endless-chain method, applicable in cities, is *not* the best method to meet the changed conditions in country territory.

17. Counties in an *average* country territory east of the Rocky Mountains in the United States have a population ranging from twenty to forty thousand. The county seat is generally located in the centre of the county, with cross-road settle-

ments, villages or cities scattered from four to eight miles apart. These county seats and cross-road settlements are the religious, educational, and commercial centres of the county. The best method of procuring prospects in country territory with the highest average number of applications and the least expenditure of time, money and energy, we will name—

The Cross-Road Method

18. Having completed your preliminary arrangements as to contract and territory, when you arrive in the county seat of the county you intend to work, call on the best liveryman. Tell him that you represent such and such a life insurance company, and that you wish to hire a horse and buggy. Ascertain from him the money crops of the different sections in the county and the best cross-roads point for you to work first. The liveryman is well acquainted with the highways and byways of the county; hence a good source of information.

19. Select a point that is located more than six miles from the county seat, and, before leaving the stable, examine your horse, harness and buggy. See that the horse is a free and easy driver, with good shoes; see that the harness and buggy are in good condition; and that you are provided with a good whip, tie strap, storm rug, halter, and lap robe. Ascertain whether the horse has any "tricks." You will experience much loss of time

and inconvenience if you fail to assure yourself as to the condition of the horse, harness and buggy. If a tire on a wheel, or a shoe on the horse, or a nut comes off, you may find yourself a long distance from a repair shop. The first rain or snow storm that overtakes you may catch you without storm curtains or rug. If the horse is not a free and easy driver, you may find walking easier than "working your way" with a whip, or in having your strength exhausted by a spirited horse. If you take the good qualities of a livery horse for granted, there will be many expensive disillusions in store for you.

20. When you arrive at the cross-roads point selected, you will find, as a rule, a doctor located there who is an examiner for your company or eligible for the appointment. Tell him your mission and procure from him a list of the names of all prospects who can *get* and *pay* for a policy, living within a radius of three or more miles. List the names in the consecutive order in which they live on the various roads. Ask the doctor the approximate *age* of each, *occupation, married* or *single, health* and *financial* rating, eliminating all the doubtful prospects, and you will have from twenty to forty or more hopeful ones. Then try to arrange to board by the week with the doctor.

21. Secure a boy who is acquainted with your list of prospects to ride with you. Hand each prospect on your list one or more pieces of your best literature, stopping only long enough to tell

him that it is in reference to life insurance, and, if he applies for a policy, and is accepted, he cannot lose anything if he dies, lives, or quits. You can circularize the whole list in one or two days, and recognize the most hopeful prospects on the list by sounding them as easily as you can recognize ripe melons in a patch.

22. Then let the list rest for two or three days, and, while they are reading and thinking, you drive to the *next* nearest cross-road settlement; procure a list there within a radius of three miles; eliminate all the doubtful prospects; procure a boy and circularize them exactly as you did the first list. Then go to the next nearest cross-road settlement, in an opposite direction from your headquarters, and repeat the method. You have now a combined list of one hundred or more *hopeful* prospects as a *working basis.*

23. If you try circularizing your prospects alone over strange and misleading country roads depending on guesses or strangers to guide you, you will waste a great deal of time. If, however, you have a neighborhood boy accompany you, he knows them and eliminates the necessity of tying your horse whenever you stop. You will meet many of your prospects on the road or at a neighbor's home, that you would otherwise miss by not knowing them, with all the loss of time that the extra trips to interview them would entail.

24. *Time and Expense.* Two of the impover-

ishing factors in working country territory are *time* and *expense.* The cross-road method reduces your loss of time and expense to the minimum. It will give you the *largest* number of prospects within a convenient radius of your boarding place, with all the advantages of a permanent over a transient rate. You arrest the attention and educate your list by one circularizing stroke. You popularize the name of your company among your prospects, which, from their point of view, is synonymous with *strength* and *solvency.* They will often argue that this or that company is the best in the world, with no reason to support it other than the habitation of the company's name in their mind.

25. Your first list will be ready to interview while the prospects on the other lists are reading and thinking. Suggest to the doctor that it would be a convenience to him, the applicants, and you, if he could arrange to ride with you and examine them as fast as you procured their applications. The chances are that he will do so, and make his professional calls between your interviews. Begin by interviewing the most hopeful prospects *farthest* away on the different roads, working the list in a reversed order. Work the other two lists in the same way, and thus continue procuring lists, circularizing, and working in contiguous territory until you have covered the whole county.

26. When the policies are issued for each settlement, deliver them, and at the same time procure

the applications of other prospects whom you failed to secure at the first interview. Hence keep a record of every prospect whose application you failed to procure, with name, address, age, occupation, married or single, and the reason for not insuring. Then work other counties by the same method.

27. Prospects who reside in a cross-roads village, live on the beaten path. They have been solicited so often by soliciting agents who failed to procure their applications that they pride themselves on being insurance proof. By the time you have circled around them, they will have had "a change of heart." They will know that you have procured a good business as well as the applications of their friends and acquaintances whose financial and social standing in the neighborhood is as good as theirs. You have educated the community on the subject of life insurance so well that the wiseacres in the village find their opinions at variance with the best judgment of the community—they will capitulate by giving you their applications.

28. Soliciting agents in some of the sparsely settled sections in the Inter-Mountain States in the United States, where some counties are two hundred miles across, and in the Western Provinces of Canada will have to adjust the endless-chain and cross-road methods to accord with distance and population.

29. *Law of Average.* The number of applications for life insurance procured by you will be determined by a law of average. In other words, from a certain number of interviews you will procure a certain number of applications. Your ratio, whether high or low, when ascertained, will be *your* average. This law of average serves a double purpose; first, it gives you a basis upon which you can calculate your volume of business; second, it is a balance wheel that regulates the alternating moods that follow success or failure in procuring applications. Otherwise, a series of successes this week would stimulate your hopes and confidence to a point of belief that you could procure any one's application, whereas next week a corresponding series of failures would prey upon your hopes and confidence to a point of belief that you would never procure another application. But when your *average* fixes its habitation in your mind, it protects you from these alternating elations and depressions that so often follow in the wake of interviews.

30. Your average is the ratio between applications procured and the prospects interviewed; but your volume of business in this month or year is not only determined by your average, but by the number of interviews you make in this month or year. In other words, if your average is five one-thousand-dollar applications in one hundred interviews, and the one hundred interviews are pro-

tracted over a period of twelve months, your volume of business would be five thousand per year; whereas, if the one hundred interviews covered a period of one month, your volume of business would be five thousand per month, or sixty thousand per year.

31. The endless-chain and cross-road methods of procuring prospects will give you the highest average number of applications to interviews with the least expenditure of time, energy and expense, hence it stands the acid test.

Vocational Lines

32. Accountants, Actors, Architects, Art dealers, Artificial ice manufacturers, Artists, Attorneys, Auctioneers, Authors, Automobile makers, Bakers, Bankers, Barbers, Blacksmiths, Bond dealers and sellers, Bookbinders, Bookkeepers, Booksellers, Boot manufacturers, Bosses, Brass workers, Bricklayers, Bridge builders, Brokers, Builders, Burnishers, Butchers, Butlers, Butter makers, Button makers, Cabinetmakers, Cabmen, Candy manufacturers, Canning factory employees, Cap makers, Capitalists, Captains, Carpenters, Carpet weavers, Carters, Carvers, Cashiers, Caterers, Chairmakers, Chandlers, Chauffeurs, Checkers (hotel, etc.), Chefs, Chemists, Chiropodists, Cigar manufacturers, Civil engineers, Clergymen, Clerks, Clothiers, Coachmakers, Coachmen, Collectors, Commission

merchants, Compositors, Conductors, Confectioners, Constables, Consulting engineers, Contractors, Cooks, Coppersmiths, Correspondents, Corset makers, Cutters, Dairymen, Dancing masters, Demonstrators, Delicatessen proprietors, Dentists, Detectives, Doctors, Draftsmen, Dressmakers, Druggists, Drygoods merchants, Dyers, Editors, Electric light employees, Electric railway employees, Electricians, Electroplaters, Electrotypers, Embalmers, Embossers, Engineers, Engravers, Ensigns, Envelope manufacturers, Erectors, Etchers, Examiners, Excavators, Excise agents, Executive officers, Exporters, Farmers, Feather dealers, Finishers, Fire adjusters, Fire Department employees, Fish dealers, Fishermen, Fitters, Florists, Foremen, Forgemen, Founders, Fruit dealers, Furnace makers, Furniture dealers, Furriers, Game wardens, Gardeners, Genealogists, Generals, Gilders, Governesses, Government employees, Grain dealers, Grocers, Guards, Guides, Gymnasts, Haberdashers, Hardware dealers, Harness makers, Hat makers, Horse dealers, Horticulturists, Hotel employees, Housekeepers, Housewives, Icemen, Illustrators, Importers, Inspectors, Installers, Instructors, Interpreters, Jailers, Janitors, Japanners, Jewelers, Journalists, Journeymen, Lastmakers, Lawyers, Leather merchants, Letter carriers, Librarians, Lighthouse officers, Linotypers, Lithographers, Loan brokers, Locksmiths, Locomotive engineers, Lumbermen,

Machinists, Maids, Mail clerks, Managers, Manufacturers, Masons, Masseurs, Matrons, Merchants, Millers, Mining engineers, Ministers, Missionaries, Modistes, Motormen, Municipal employees, Music dealers, Musicians, Naturalists, Newspaper employees, Novelists, Nurses, Oculists, Officers, Opera singers, Opticians, Ore dealers, Organists, Osteopaths, Painters, Pawnbrokers, Paymasters, Perfumers, Pharmacists, Photographers, Physicians, Pianists, Pilots, Plumbers, Policemen, Postmen, Preachers, Presidents, Pressmen, Printers, Professors, Proprietors, Provision dealers, Purchasing agents, Rabbis, Real estate agents, Reporters, Revenue collectors, Roofers, Saddlers, Safemakers, Sailors, Salesmen, Sanitarium keepers, Sculptors, Seamstresses, Secretaries, Servants, Sextons, Sheriffs, Shoe dealers, Silversmiths, Singers, Solicitors, Spinners, Stationers, Statisticians, Stenographers, Stewards, Stock brokers, Students, Superintendents, Surgeons, Surveyors, Tailors, Tanners, Teachers, Telegraph and Telephone employees, Undertakers, Wood dealers, Writers.

REVIEW QUESTIONS

How does straight canvassing for ordinary forms of policies invite competition? Define a prospect. How are prospects classified? Define a doubtful prospect. Define a hopeful prospect. Define the element that differentiates hopeful from doubtful prospects. Has the method of procuring prospects any effect on your average number of applications to interviews? Can you procure prospects by any method? Why does the current of influence operate adversely when soliciting life insurance among strangers? Why is the element of confidence so important? Between what ages do you find the highest average number of applications to interviews? Why? Would the law of average operate for or against you among ages over 45? What is the "acid test" of method in procuring prospects? Define the endless chain method of procuring prospects? How could you maintain a working basis of hopeful prospects?

Name some of the time and labor saving advantages of the endless-chain method of procuring prospects? How does the current of influence operate by that method? Will prospects act on their own judgment in applying for life insurance? With what should a solicitor in a strange city first acquaint himself? Define the cross-road method of procuring prospects. How does that method save time and expense? How is your average obtained? What advantage does the endless-chain method give you in competition?

LESSON V

THE ART OF APPROACHING PROSPECTS: WHERE, WHEN AND HOW

The Art of Approaching Prospects

Where, When and How

The purpose of this lesson on the art of approach and the following lesson on the art of presenting a proposition is to enable a soliciting agent to get in, speak briefly and get out with an application. This course of instruction is based on an average size policy, hence this lesson deals more directly with the art of approaching the industrial class which is fast embracing the mercantile and professional classes as clerks and managers in America.

1. *Preparation.* There are two supreme moments in the art of soliciting. The first is the moment you approach a prospect and the second is the moment to secure the application. The word preparation cannot be impressed too long or often upon your mind, because without preparation you cannot make a *decent,* much less a good approach.

2. It is in your power to decide whether you will flounder in fear and embarrassment during an approach and run at the first sign of opposition, or whether you will stand with the conscious power that preparation gives you. Prospects do

not know what is *best* for them to do; if they did they would come to you for life insurance, instead of you going to them. The problem of all ages has been to persuade men to do the things they should do. The majority of men are going contrary to their best interest every day—wilfully blind to the things that are best for them.

3. Everything moves by force, hence to set a man's mind in motion on the subject of life insurance requires a strong suggestion that appeals to his interest. You can not appeal to his interest unless you are prepared to hit the "bull's-eye" with every shot fired in your statements. The first step for a good approach is to master this course of instruction and acquire a thorough knowledge of your policy contracts; then, make up your mind that you are going to make your prospect acquainted with your proposition and its application to his needs and circumstances.

4. You cannot approach prospects with grace and ease until you are sure of yourself. You cannot be sure of yourself until you are master of the science and art of your business. If you know and apply the truths we have enunciated, then, when you approach a prospect, you will have the force of your judgment and conscience behind your proposition. Every word you utter will be vitalized with truth and inspire confidence. You are then sure of yourself, and you enter the presence of a prospect with the grace and ease of an

enlightened conscience. You have no halting, faltering, do-not-know attitude. Your every word, move and act proclaim that you know your business. The knowledge you have acquired through *preparation* and *practice* will endow you with ease of maner, fluency of speech, courage and confidence.

5. You have a liberty of choice and freedom of action as to whom and what class of prospects you approach that have no parallel in any other line of business. Your independence is a source of danger against which you must school yourself in the highest of all arts—the art of self-control. You should always leave a margin to give and take in your course of action during an approach. Your interview is a business—not a social function. You are approaching prospects at all hours of the day, and they are often laboring under all kinds of provocation; hence you will find them in all kinds of moods. It is true, you may not be endowed with that balanced judgment, or self-control that enables you to overlook a seeming discourtesy without resenting it. You must not be too sensitive under these circumstances. These occasions will furnish you an opportunity to practice self-control.

The Art of Approach

6. The object of an approach is to make a favorable impression and to secure a favorable

hearing. It is not always what a prospect *says* but it is often what he *thinks* that scores against you. The moment you enter his presence he sizes you up by your appearance, dress and manner. Your dress must be modest, neat and right in every detail—the cut of your hair, the style, fit and texture of your clothes. Your collar must not be too large, too high or too low. It is the misfits and soiled linen that attract attention. When a prospect looks at the heels of your shoes, he has an index to your character—keep your heels square.

7. In matters of style, keep between the two extremes—be not the first to wear the new, nor the last to lay the old aside. You can afford to be poor, but you cannot afford to advertise your poverty. The dominant idea that governs dress as applied to field work in life insurance is not to distract a prospect's attention, excite his envy or criticism. In other words, you must not divide his attention between your proposition and a flaming necktie, freak shoes, loud waistcoat or soiled linen.

8. Some writers tell us that there is no fixed rule or method of approach; other writers tell us that it is impossible to lay down a rule that is applicable to the diversified phases of human nature. They all agree, however, that good approach is a question of *tact* and *judgment*—which is equivalent to saying that the way to get rich is to do a large business with a large profit; but that does not tell us how to do it. Common

sense tells us that if there is some one place and time better than another in which to interview a prospect, then there must be a *reason;* and if there is a reason, there must be a *rule.* Our experience agrees with common sense on this point and it tells you there is a rule, instantaneous and universal in its operation, hence scientific, that will tell you the right and wrong time and place to approach a prospect. In other words, the application of our rule will tell you instantly, under any and all circumstances, whether or not the time and place are a favorable opportunity to present your proposition. The rule contains but thirteen words, hence it is short and easily remembered.

The Rule

9. *Present the proposition when and where a prospect's mind is free and undisturbed.* Why? Because you should have his whole and undivided attention.

10. *Where and When.* If you approach a prospect while at work, or under the eye of his employer, where the nature of his work demands his attention, the *rule* will tell you instantly it is not the best time or place. If, however, you approach him when not employed—at a time or place where some undesirable third person is present; or a noise exists to disturb his sense of hearing; or an attraction exists to disturb his sense of sight; or if pain, heat or cold exists, to

disturb his sense of feeling, the rule will tell you instantly that is not a proper time or place. In that event, postpone the interview, make a new appointment or retreat and call again. In the first instance, his mind would be disturbed and his attention divided by his work or the presence of his employer. In the second instance, his senses would be disturbed. The occupation of a prospect will generally indicate the best probable time and place to approach him in accordance with the rule.

11. You will find, as a rule, the home to be the best place to interview the majority of the industrial class of prospects. It places you in close proximity with the prospect's wife, mother, or father, who are often the final determining factor in his course of action. Interviews are frequently multiplied by presenting a proposition at a time or place where the prospect has to postpone his decision to "talk it over" with his wife, mother, or father. The best time for home interviews is immediately after breakfast, dinner or supper.

12. Never approach a prospect just before his meal time, if you can avoid it, because at that time his wife or his mother is usually engaged. It also frequently happens that he will give you his application on a satisfied appetite, when he would not listen to your proposition on an empty stomach. Classify your home interviews. Segregate the prospects who work days to interview

nights, and those who work nights to interview mornings and afternoons. Arrange your list so that your prospects are in as close proximity to each other as you can; this will economize on your time in going from one to the other. The best time to approach the professional and mercantile classes will be indicated by their vocation.

13. *How to Approach Prospects.* The Endless-Chain method of procuring prospects *reduces* the obstacles in your way to a minimum. It eliminates doubtful prospects; it supplies you with all the necessary information as to the hopeful ones. They know you personally, or by sight, or by reputation. The element of confidence is more or less established. It is this element that paves the way for a favorable interview; it opens the ears and mind of your prospect to reason and suggestion, and the moment you knock at his door, you are the recipient of a fair and courteous consideration.

14. There are two general ways of approaching prospects—*direct and indirect.* The indirect way is to point your conversation or questions in a way that the subject of life insurance will either present itself then or later when you will have an opportunity to disclose your business. We deal only with the direct method because it is the American method—a method that has built the great American life insurance companies.

15. A direct, business-like way of approach is the easiest and the best. Approach a prospect

with confidence and cheerfulness. Be natural and courteous. Courtesy is persuasion—if you lack it, practice it until it becomes second nature. "To be humble to superiors, is duty; to equals, courtesy; and to inferiors, nobleness." Introduce yourself—never hand a prospect your card if you can avoid it, because it diverts his attention from you to a piece of pasteboard. Do not mention your business until you are face to face with him; by so doing, the proposition and favorable impression you make may counteract and offset any adverse opinion or prejudice that may have been in his mind. Do not let awe-inspiring surroundings distract you—always keep the purpose of your interview uppermost in your mind.

16. You are frequently introduced to a prospect by his relative or friend. These introductions are often momentary and give no time for reflection, hence you must act on the spur of the moment. The question of shaking hands may flash through your mind. The rule is to bow and not shake hands. The question as to whether you should bow or shake hands is determined by the reason for the introduction, and by whom and to whom you are introduced. If the introduction is casual and as a matter of courtesy, with no evidence of premeditation, an exchange of bows is all that is necessary; but if you are introduced to his relative, a bow might be a chilling response, hence a hand-shake would offer a more cordial recognition.

17. *Strangers.* When you approach prospects with whom you are *not* personally acquainted, use, in substance, the following introduction:—*"Mr. Smith, Jones is my name. I have a proposition I wish to show you. I will detain you but a moment."*

18. The points to keep in view are (1) not to intimate the nature of your business, if you can avoid it, in your introduction, or (2) fail to suggest that you will not worry or "bore" him. If you indicate your business by stating in your introduction that you "represent such and such a life insurance company," or fail to suggest that you will detain him but a moment, you are liable to strike a discordant note. His prejudice may be strong against life insurance, or he may have been "bored" by an agent who preceded you.

19. The introduction we suggest discloses your mission, but not your business, and it carries with it the assurance that you will not worry or unduly detain him. In other words, it quiets his fears and disarms him. You can then rely, as a rule, upon his courtesy, curiosity, or self-interest to be a sufficient motive for inviting you in, or for sitting down and listening to your proposition.

20. The exception to this rule, when you introduce yourself, will ask: "What is your proposition?" Then tell him firmly that you wish to show him a proposition from such and such a life insurance company. He may then invite you in,

or he may answer that he "does not want any life insurance," or that he "has all that he can carry." Tell him that he can consult his interest as to that; your mission is to *show* him the proposition. He may answer that "you will be wasting your time." Tell him that you will impose no obligations on that account if he will do you the courtesy to listen a moment to what you have to say. He will then do so.

21. The cause of this prospect's attitude is a *defective* understanding. These defects are not permanent; if he is sane, they are easily removed. They may be the result of hearsay, or a false idea of your contract or company. It has, however, no foundation for existence in *fact*—but his ideas control him. A *false* idea or defect in understanding has all the force of *truth*. The moment the defect is removed his whole course of action changes. He is then, as a rule, as quick to give you his application as he was reluctant to give you a courteous hearing.

22. *The Hostile Prospect*. When a soliciting agent with good manners and appearance knows his business, the majority of prospects are courteous and easily approached. The hostile prospect—whom we rejoice to say is in the minority and gradually becoming beautifully less—is one of the scientific propositions. You never know in advance which one of your prospects he will be, hence when you meet him, you have no time to

flounder—you have to act quick and with a definite purpose in mind.

23. The moment you meet a hostile prospect—one who, for reasons expressed or silent, will not give you a courteous hearing, concentrate your efforts instantly on the *sole* purpose of showing him your proposition, regardless of what action he takes in the matter when you are through. Disarm him by telling him that you will not ask him to take a policy—all you desire is the courtesy of a moment to explain your proposition with no obligations imposed; and, when you are through, he can consult his own interest as to what he may do in the matter. Impress on his mind that it is your mission to acquaint him with your proposition and that it is his privilege to accept or reject it. That will, as a rule, break down his opposition. He will invite you in or sit down to hear what you have to offer.

24. The moment he does that, you have *passed* the approach and the moment he is ready to *listen* is the moment for you to begin to present your proposition. In other words, when you meet a hostile prospect concentrate your efforts in order to secure an *opportunity* to present your proposition and the moment you secure the opportunity, then concentrate your efforts to secure his signature on the application. This method simplifies an awkward situation, and it serves as a compass to guide your course of action while you meet

instantly the exigencies of his objections and control them with your answers—just as you would meet the exigencies of the moment in guiding a boat on its course by the touch of your hand on the wheel.

25. Keep in sympathy with a hostile prospect. A sympathetic mutual understanding is necessary before one mind can influence another. Refusal to listen to your proposition or to give you a hearing is *never* for the purpose of watching your discomfiture. It is not always because a prospect is hostile to you or your proposition. Some men, especially business and professional men, dislike to give their time and attention to any proposition that they think is of no interest to them. They sometimes want to know the nature of what they are going to hear before they will consent to listen. Some men will want you to state your whole proposition in *one* sentence, whereas other men will give you time to explain your proposition in detail.

26. Ignorance and narrow-mindedness are the cause of some hostile prospects; listen to their point of view, however much you may disagree with it, and then educate them up to *your* point of view. There is a difference between blind and intelligent persistency. Never give a prospect reason to *add* a personal dislike to whatever *other* reason he may have for declining to listen to your proposition. There is every reason why a prospect

should insure and no reason why he should not, hence the defects in his understanding are to be considered only for the purpose of being removed.

27. *Unapproachable Prospects.* You cannot size up a prospect by his surroundings. You will find many narrow-minded men in palatial offices and many broad and liberal-minded men in unpretentious places. You may have prospects that are hard to approach face to face, owing to the barriers that surround them in the form of rules and clerks. There are three general ways of removing these obstacles: (1) by letter of introduction; (2) by nerve; and (3) by diplomacy.

28. *Nerve.* The rules in question are intended to govern the rank and file of solictors. They are not made for the purpose of repulsing *you* or your *proposition*—unless you think that you and your proposition are of the class for which the rule is intended. If you think that your proposition will interest and benefit a prospect, then you have a moral right to feel that you are not one of the class referred to and the rule does not apply to you. If you are not in position to secure a letter of introduction, you may have to defy interference and if you guide your nerve with intelligence, you can find a way or make it to meet your prospect face to face.

29. The crux of your approach is the *manner* in which you do it. If you let rebuffs weaken you, your prospect may decide that your proposition is

as weak as your method of approaching him. *Nerve* is but another name for enterprise and determination, hence it carries no reproach when you use it for a prospect's good.

30. *Diplomacy.* If you feel morally sure that a face to face interview with your prospect depends on the discretion of a head clerk, recognize his authority and magnify his importance by explaining the salient points of your proposition to *him.* Win his confidence, friendship and good opinion and you will pave the way for a favorable interview with your prospect. It is surprising to know how many men are controlled by the advice of subordinates.

31. *Country Prospects.* The art of approaching prospects in country territory is the same as in cities. The psychological conditions in the country are ideal. Country prospects, as a rule, are engaged in agricultural pursuits. Any time or place you approach them, generally, conforms to the rule; at home, on the farm, in the woods, or on the highway.

32. The idea is prevalent among many country soliciting agents that they must preface their interviews with more or less social intercourse, then spar diplomatically for a favorable opportunity to bring up the subject of life insurance. This idea is the result of a random method of procuring business—a method by which many soliciting agents trade on the generosity of prospects by

taking dinner with this one, supper with that one, and staying overnight with another one. The soliciting agent is conscious in many instances that the prospect will make no charge for the accommodation. However courteous a prospect may be, he often feels a silent resentment in having to choose between charging a soliciting agent for the service, or contribute without consideration towards his maintenance and support.

33. This method and the feeling it engenders are not conducive to the best interests of the soliciting agent, prospect, or company. The soliciting agent, by this method, becomes the *guest* of his prospect, instead of the representative of his company. This random method subordinates a soliciting agent's business to the social duties and obligations of a guest. It wastes his time and opportunities, curtails his number of interviews, and lowers his average. You cannot share the hospitality of a prospect and at the same time present your proposition with the force that circumstances may necessitate.

34. The Cross-Road method evolved in the last lesson obviates these disadvantages. You conduct your business upon a business basis. It provides a permanent boarding place for you within a convenient distance of all your prospects. It puts you in position to present your proposition with all the force and directness at your command. Your contract is the only question involved; there is

no delay, loss of time, or social obligations. Whenever the convenience or interest of a prospect suggests that you dine or remain overnight with him, if he refuses compensation, hand a coin to his children, or repay him in some other way. Make it your rule of action to compensate everyone in country territory who renders you a menial service, not only as a matter of principle, but as a matter of policy. It will be favorably reflected in public opinion.

35. *Fundamental Truths.* There are certain fundamental truths in the art of soliciting life insurance that should have a fixed habitation in your mind.

(I.) You are conferring favors—not soliciting them.

(II.) You have the same right to present your proposition to a prospect that he has to decline it.

(III.) Maintain the respect of your prospect, with or without his application—you can afford to lose his business, but you cannot afford to lose his confidence.

(IV.) Eliminate all appearance of your pecuniary interest in the transaction and predicate your suggestions, arguments and course of action upon the interest of your prospect.

(V.) Never approach a prospect by asking him if he is busy? The question suggests to his mind that your proposition is not worth his attention unless he has nothing else to do, and that you are

willing to wait. Never tell him that he *must* or *ought* to insure. He resents the "must" and the fact of your approaching him on the subject of life insurance implies that you think he "ought" to do so.

REVIEW QUESTIONS

Name two supreme moments in the art of soliciting. Why is preparation essential to a good approach? Why do prospects have to be solicited for life insurance? What is required to set a man's mind in motion on the subject of life insurance? What must you know before you are in a position to appeal to a prospect's interest? With what should every word you utter be vitalized? What should your words and acts proclaim? Why is your independence a source of danger? What is the object of an approach? What often scores against you? What dominating idea should govern solicitor's dress? Is there any fixed rule governing an approach? Where and when can you apply the rule?

How should you classify your interviews? What advantage does the Endless-Chain method give you when approaching prospects? How does confidence pave the way for favorable interviews? Name two methods of approaching prospects? Define them. Which is the American method? How should you introduce yourself to prospects? What is the rule in reference to shaking hands? Name and define two points to keep in mind when introducing yourself to a prospect. What is the cause of a hostile prospect? What should be your sole purpose the moment you meet a hostile prospect? What indicates the moment you pass the approach? Why should you keep in sympathy with prospects?

LESSON VI

THE ART OF PRESENTING A PROPOSITION

The Art of Presenting a Proposition

The signature of a prospect is the climax of your effort in the Art of Presenting a Proposition. The dominant purpose of the last lesson was to secure an opportunity to present your proposition—the dominant purpose of this lesson is to secure the application.

1. The first supreme moment in the art of soliciting is the moment your prospect is ready to listen to your proposition. That is the moment to come direct to the point by asking him his age, which we will assume to be 35 years, and we will assume your proposition to be a Twenty Payment life contract. Begin by saying:

(I.) *Mr. Smith, the moment you receive 1000 or more dollars insurance in this company, you have added 1000 or more dollars to your estate. That is the best piece of property that you can own, because if you die it is cash, and if you live you pay no direct taxes on it. It is the only way you can add 1000 or more dollars to your estate by the stroke of a pen.*

(II.) *You will deposit $37 (or $30, if non-participating) once a year for twenty years, if you*

live, just the same as you would deposit it in a bank. If you die during this period, the company will pay the $1000 to your family The premium is fixed at your present age and guaranteed never to increase.

(III.) *If you live twenty years, your deposits cease. In other words, you quit and the company gives you your choice between $1000 paid-up for life, or $610 in cash. The policy works both ways—it provides for your family in event you die, and it provides for you in event you live. If misfortune overtakes you during the period, there is provision in the policy to meet it.*

(IV.) *When you have made three deposits, the company guarantees to extend the face amount of your insurance for* ——— *in event of non-payment of premium and to pay the claim in event you die during the extension; or* (V.) *a paid-up value; or* (VI.) *a loan or cash value.*

2. *In other words, in consideration of the three annual premiums, the company guarantees to pay your family $1000 in event of your death any time during the three years; or, if you wish to quit, the company guarantees to give you $50* (*more or less*) *in a paid-up policy for each annual deposit you have made. Every time you deposit $37 the company guarantees $1000 to your family in event of your death that year, and in addition, guarantees $50 if you quit in a paid-up policy, or guarantees to loan you a specified amount of*

your deposits without interfering with your insurance.

3. You have then mirrored the salient points of the proposition on his understanding. Now clinch them by appealing to his reason.

Mr. Smith, if you insure, you must do one of three things in twenty years—die, live, or quit. If you die, you would leave the $1000 to your family; if you live, you will have made a good investment, and if you quit after three years you cannot lose anything.

4. That cuts the ground from under him and you know that if you fail to secure his application, it will be through no fault or misunderstanding of the contract. If your prospect can carry more than $1000, tell him that you use $1000 as a basis to figure on, and when you are through you will multiply it by as many thousands as he desires.

5. If he should interrupt you with a question on some point out of its logical order, defer your answer until you have reached that point or until you have finished your proposition. In other words, do not permit a prospect to break the continuity of your presentation. If your presentation is clear, he will listen in silence. If he should interrupt you with a question about any one of the six features presented, it is notice that you have failed to mirror that point on his understanding; hence, be more careful in the future. The

art of presenting a proposition is the art of photographing its benefits and privileges on his understanding so that he will see them *exactly* as you see them. The clearness and force with which you transfer these features from your mind to his will measure the strength of his conviction.

6. The moment a prospect is ready to listen, you should keep in view the following points:

(I.) Remember that he will not buy a policy contract that he does not understand; if he does, he will lapse it.

(II.) Remember that any one of your many policy contracts is a *complex* proposition—full of benefits, options and privileges that a layman cannot easily grasp if they are all hurled at him in a mass, and especially during the brief time and under the adverse circumstances that you often have to present them. You should reduce the proposition to its simple terms in order to bring it within the compass of a quick and easy understanding. In order to do this, segregate the features of the policy contract in two classes—*major* and *minor*. Present only the six major features: (1) the amount; (2) the premium; (3) the result in cash or paid-up insurance; (4) the extension; (5) the paid-up value, and (6) the loan value.

Reserve the minor features to present when you deliver the policy and by so doing you fortify yourself in two directions: You take no chance on confusing him and losing him when you present the

propostion; and, when you go to deliver the policy, if you find your applicant laboring under a false impression, you are in position to show him the additional options, benefits and features as evidence that the policy contract is better than you represented. You restore his confidence. His moral nature will assert itself and you should deliver the policy.

(III.) Remember that there are two avenues to a prospect's understanding—the *eye* and the *ear*. Men remember better what they see than what they hear, hence you should use both the eye and the ear to reach the understanding. If the ear fails to catch it, the eye will. For this purpose use the following diagram with card and pencil during the presentation.

7. DIAGRAM.

(1) $1000	3) 20	$1000 Paid-up
		or
$37 (2)	yrs.	$610 Cash

3d. yr.—Extension; Paid-up; Loan
(4) (5) (6)

8. If your prospect has a quick perception it will require only a moment to mirror the major features on his understanding; if he is slow of perception, it will require a little more time.

9. When you explain the premium, always use the word *deposit*—never use the word *pay*. The

premium comes back to the policy-holder at death, maturity or in one of three ways after three years. When you use the word "pay" you create a false impression and associate the premium in the mind of a prospect with money *spent;* when you use the word "deposit" you create a truthful impression and associate the premium in the mind of the prospect with money saved.

10. Leave the loan or cash value for the sixth and last point in the logical order of presentation. By so doing, the prospect will be so well pleased with the equity and fairness of the policy contract that the question of *difference* between what he deposits and what he would draw in cash, in event of lapse, will not arise; whereas, if you present the loan or cash value second, third or fourth in the order of presentation, you will start him at once to figuring the difference between what he deposits and what he would draw in cash if he quit—then you may have to make an actuary out of him before you can secure his application.

11. At the conclusion of your presentation, you have reached the second supreme moment in the art of soliciting—the time to secure the application. During this moment you should keep in view two fundamental truths:

(I.) *Types.* Remember that your prospect will instantly classify himself by his course of action into one of ten stock types of men.

(II.) *Consent.* Remember that if your pros-

pect consents to apply for a policy, he will indicate his consent in *one* of two ways—*expressed* or *implied.*

12. There is but *one* prospect in ten, on an average, who will give you an expressed consent to take a policy during a first interview. If you secure his application, you will do so nine times in ten on an implied consent. If you do not know an implied consent when indicated there is no alternative for you except to multiply interviews until you procure an expressed consent when you may have had an implied consent the first interview, had you recognized it, and thereby saved all the waste of time and energy spent in back-calls.

13. The first interview is the best of all interviews. You have more power over a prospect the first interview than you will ever have again. The more you hammer a nail after it has been driven—the looser it becomes. The more you repeat your proposition and arguments after they have once been presented—the weaker they become. By keeping these points in view, you will have an equilibrium of feeling during the interview. You will know before you see your prospect that he is but *one* of the ten types of men. You will know the full range of his course of action. He cannot surprise or disconcert you during the interview. The only thing he can do will be to *disclose* his type. You will also know that the chances are only *one* in ten that he will give you an *expressed* con-

sent during the first interview; if you procure his application the chances are *nine* to ten that you will have to do so on an *implied* consent.

14. The moment a prospect consents—expressed or implied, you should make the *interval* of time between his consent and his signature as short as possible. Reverse the order of questions on the application blank so as to begin with the questions that you do not know the answer to—such as the date of his birth, place, county and state. When you have completed these questions, tell him, as a matter of form, that he must also answer the questions that you do know the answers to—such as city, street, county, state, etc. Otherwise, if you begin first by writing the answers to the questions you know, your prospect will be silent during the interval, but when you are ready to ask him the answers to the questions you do not know, he may reply that he has changed his mind. During the interval of silence, an adverse thought entered his mind and reversed his decision.

15. A prospect can think of but *one* thing at a time, hence the moment he consents you should shut out of his mind the opportunity for adverse thoughts to enter by reversing the order of questions so as to keep his mind occupied with the answers. Then hand him the pen and show him where to *write* his name in full—never use the word *sign.* If an adverse thought arises in his mind after you depart, you can, as a rule, rely on

his moral nature to overcome it. In other words, you should protect him from himself. When he gives you his consent—expressed or implied—to make application for a policy, he is discharging a moral duty. It then becomes your moral duty to arrange the order of questions so as to occupy his mind with the answers in a way that no adverse thought has time to enter and upset a good resolution.

The Psychological Moment

16. The moment you finish presenting the proposition by stating that, if he insures he will die, live or quit—*cease talking.* Your prospect will then immediately classify himself by his course of action into *one* of the following ten types of men.

The First Type. The first type will give you an expressed consent by saying: that he will take 1000 or more dollars, or that you can write him up for 1000 or more dollars. That is the psychological moment to draw the application *without adding another word;* proceed with the questions and, when the answers are completed, hand him your fountain pen and show him *where* to write his name in full. Then make an appointment for the examination and bid him good-day.

The Second Type. The moment you finish explaining your proposition, the chances are that your prospect will be silent. His silence indicates that he understands the proposition, but it does

not indicate what his course of action will be in reference to it. His silence may be caused by any one of several reasons according to his type; hence you will have to break his silence in order to disclose his type, then you will know how to proceed to secure his signature. If you wait until he speaks, he will *not* speak until he has thought of every reason for procrastination. You must not gives these adverse thoughts time to arise in his mind, hence you must break his silence *instantly* and do it in a way that will not provoke discussion or impose any obligations. Do so with the following question:

Mr. Smith, if you took a policy how much would you take?

He may answer that one thousand dollars or more will be as much as he can carry. That is an *implied* consent, hence the psychological moment to draw the application without adding another word; proceed with the questions and, when the answers are completed, hand him the pen and show him *where* to write his name in full. Make an appointment for the examination and bid him good-day.

The Third Type may answer that your proposition looks "too good to be true." The analysis of a premium at age 35 will remove this defect from his understanding and convince him that it is not only true, but a mathematical certainty. If he lapses into *silence,* it is the psychological moment

to draw the application, proceed with the questions, then hand him the pen as previously indicated.

The Fourth Type may answer that he does not believe in life insurance, which is equivalent to saying that he does not care what becomes of his family in event of his death; or, he may be a monomaniac on some form of investment or method of savings that puts him beyond the reach of reason. That is the psychological moment to close the interview and bid him good-day.

The Fifth Type may answer that he wishes to talk it over with his wife. Suggest that he make an appointment that you may be present. If this does not suit his convenience, suggest that he give you his application and be examined; in the meantime he can talk it over, and, when the policy is issued, you bring it to him with no obligations imposed. If he is in earnest he will agree to do so, or lapse into silence, which is an implied consent; draw the application and proceed as previously indicated.

The Sixth Type may not answer you. Draw the application and proceed with the questions. If he refuses to answer them, his silence may indicate a hidden reason that he does not wish to disclose. It may be that he has been married twice and has two sets of children, or it may be that he is sensitive about the examination. In either event, it is better to ascertain the reason by anticipation or suggestion, rather than by direct inter-

rogatories. In other words, suggest to him that the examination questions are only about his family history and what illness he may have had, requiring but a few moments, and that he can make the policy payable to his estate, if he wishes, subject to his will. This may disclose the reason for his silence; draw the application again and proceed.

The Seventh Type may answer that he cannot afford to carry any more life insurance, or that he has all that he wants, which may or may not be true. You must decide which by the amount and form of insurance that he carries, and by what you know of his circumstances. If it is a pretext, ignore it. If the application hinges on the question of immediate payment of premium, tell him that you can hold the policy for thirty days, or that you will divide the annual premium into two or four payments, either three or six months apart (semi-annually or quarterly). If he hesitates, or the application hinges on the premium becoming due and payable in a certain month, tell him that you can bridge him over the intervening period with a term rate, covering his protection during the interval, thereby making his annual premuim fall due in the month desired. If he consents or lapses into silence, draw the application and proceed.

The Eighth Type may answer that he is undecided whether to take one or two thousand dollars, which is an *implied* consent to accept the smaller amount, hence the psychological moment to

secure the signature. Draw the application, telling him that you will talk the amount over with him in a moment and proceed with the questions and answers. You now have his application for one thousand dollars and you have eliminated all other questions except the one of amount. Advise him to make it two thousand dollars, because his rate is less than it will ever be again. If he indicates that he is still undecided, suggest that you make it two thousand dollars, and that you will request the company to issue it in two policies of one thousand dollars each. Tell him that when the policies are issued, he can accept both, or, if necessary, you will return the extra policy for cancellation. The chances are that he will agree to this suggestion.

The Ninth Type may answer that he is undecided. If he approves, but *hesitates,* you may catch the implied consent on the wing by drawing the application and proceeding with the questions. If he still hesitates, refresh his memory by reviewing the proposition, and if necessary you may add an explanation of some of the other benefits and privileges. If he then indicates his consent or lapses into silence, it is the psychological moment to secure the signature.

If, however, he again hesitates, lay the blank aside and appeal to his reason with the following argument:

Mr. Smith, how long would it take you to save

one thousand dollars at the rate of $37 per year? It would take you more than twenty years and you have no assurance that you will live to do it? If you take the policy, you will create one thousand dollars immediately in event of your death that would require more than twenty years for you to save at that rate if you live. In other words, by taking the policy you secure the thousand dollars whether you live or die. If this argument fails, then ask him to tell you frankly what stands in his way; or, leave the question open for a future interview by telling him to think it over and you will see him again.

The Tenth Type may be the hostile type; he will answer by telling you frankly the reason he does not want to insure. The reason may be in connection with your company or contract. He may tell you that Mr. Blank was insured in a company that failed or that he died and the company refused to pay the claim. It is safe to assume that there is no analogy between the company he has in mind and the company you represent. On the contrary, the chances are that the company Mr. Blank was insured in was an assessment concern, promising to make *one* assessment in the event of a member's death and the *amount realized* would be paid as a *benefit* not to *exceed* the face of the policy. In other words, the assets of the concern were in the pockets of the members and the concern agreed in event a member died to pass the hat around;

whereas a policy in your company guarantees the face amount immediately in event of death and the assets are in the treasury.

If Mr. Blank had exercised as much discretion in buying life insurance as he would have done in buying a horse, he would have been insured in a company like the one you represent. Or, he may tell you Mr. Blank had just matured a policy "like yours" in some company and he did not receive as much money as they promised him when he insured. He evidently refers to a deferred dividend contract. If your proposition is an annual dividend, guaranteed dividend, mortuary dividend or a non-participating, you can explain the difference between it and the one in question. Tell him that the results at the end of twenty years are all guaranteed in your contract. Tell him that the company no doubt paid Mr. Blank all that was due him, otherwise he would have sued them and recovered it. The point at issue is the *difference* between the "estimated" and actual deferred dividend. The estimate was an illustration of what the dividend was expected to be when the policy matured, hence it was based on the past experience of the company, whereas the actual dividend was paid on a future experience.

17. *Mental Science.* In order that you may better understand the art of presenting a proposition, it is necessary that you should know two or three elementary truths in mental science.

The brain of a prospect is an organ of reason and understanding. Understanding deals with percepts, which are mental images of the various features of your contract. Reason deals with concepts, which is a word under which Reason groups, compares and unites the various features of your proposition, accepting or rejecting them in accordance with its conception. Hence *correct* understanding is essential to correct reasoning. In the application of these truths you must present each feature of your proposition in a distinct manner, allowing sufficient time for the impression to be mirrored on the understanding.

18. There is no defect, as a rule, in a prospect's reason. If his course of action is adverse, it is because his understanding is *defective.* In other words, the premises on which he reasons are false. Correct his understanding and you immediately change his course of action. These defects are often illustrated by your personal experience. You may be walking along a highway and see a serpent lying across your path. You will recoil, or procure a stone, as your safety may indicate, until you discover that it is *not* a serpent but a stick. In other words, when you first saw the stick the mental image, or percept, was that of a serpent—a *defect* in your understanding. There was no defect in your reasoning because your course of action *was* justified; but the moment the defect was removed your course of action changed.

REVIEW QUESTIONS.

What is the climax of your effort in the art of presenting a proposition? What is your dominant purpose during an approach? What is your dominant purpose in this lesson? What should you do the moment a prospect is ready to listen to your proposition? Name six salient points in a policy contract. Name the order in which you should present the salient points. How would you clinch the points after mirroring them on the understanding? Would you permit a prospect to interrupt the continuity of your presentation? If not, why not? How would you measure the strength of a prospect's conviction? Name and define three points that you should always keep in mind the moment a prospect is ready to listen. When is the second supreme moment in the art of soliciting? Name and define two points that you should keep in mind the moment you finish presenting the proposition.

Name and define the two methods of consent. The moment a prospect consents to make application what should you do? Why do you reverse the usual order of questions on the application blank? Name and define the different types in which prospects classify themselves the moment you finish presenting a proposition. When a prospect consents to make application for a policy, why should you control his thoughts? Why is the first interview the best of all interviews?

LESSON VII

THE ART OF DELIVERING POLICIES

The Art of Delivering Policies

If the only question involved in delivering policies was the collection of the premium in exchange for the official receipt, there would be no question of art. It happens, however, that there are other questions involved, if you wish your business to renew; if you wish to hear no complaints, and if you wish to retain the good-will and confidence of your applicants.

1. The time and place to deliver policies are governed by the same rule that governs the time and place to present a proposition—in other words, *where the mind and senses of your applicant are free and undisturbed.* Your method of procedure must follow the order in which you presented the *major* points of the proposition when you procured the application. It is as follows:—

(I) *Read* and explain to your applicant the *face* of his policy, which was the first major feature you explained when you presented the proposition.

(II.) *Read* and explain the *premium*—where, when, and how to remit it.

(III.) *Read* and explain the *options* at the completion of twenty years.

(IV) *Read* and explain the *extension* feature and how it operates after three years.

(V.) *Read* and explain the *paid-up* value after three years—when and how paid.

(VI.) *Read* and explain the *loan* value, which was the sixth and last major feature you explained when you presented the proposition; then *read* and explain all of the minor features your policy may contain, such as grace in the payment of premiums, dividends if participating, incontestable, unrestricted benefits and privileges.

2. *Tell* your applicant the name of the policy. If it is a twenty-payment life, tell him it is *not* an endowment, nor an ordinary life, nor any one of many other plans issued by your company; but the name is—a twenty payment life. *Tell* him to write or come to you if a competitor ever tries to twist or dissatisfy him. *Tell* him that your company carries a full line of policies; hence it will never be necessary for him to go elsewhere when he wishes to increase his insurance. Then procure your settlement in exchange for the policy and official receipt.

3. If you deliver a policy without reading or explaining it, the applicant accepts it by *faith.* He may *believe* that it contains all of the benefits and privileges that you represented, but he does not *know* it. When you read and explain the policy on delivery, he then knows it. The policy

then confirms all of your representations when you procured his application. You have refreshed his memory on the salient points. You have planted each and every feature of the policy deep in his understanding. You have fortified him against the adverse contingencies of the future that are sure to arise, sooner or later.

4. If your applicants on receipt of policies, filed them away, never to be read, seen, or mentioned again until maturity or death, then you could deliver them by faith. But that is not the history of life insurance policies. On the contrary, the applicant, sooner or later, will read the policy. It may be just before he pays the next premium; it may be after an argument with a friend over the respective merits of their contracts, or it may be when some competitor tries to twist him. When he does read it, however, the chances are close to a mathematical certainty that he will not understand it.

5. The salient points of the contract are expressed in terse, legal phrases that do not stand out as clear in his mind as they did when you presented them in simple terms. He will fail to grasp the meaning of this expression, or the arrangement of that feature. He will finally jump at the conclusion that you misrepresented the policy. The funny part is that, under these circumstances, he will seldom, if ever, come to you for an explanation. He will multiply correspon-

dence over technical points with your manager or company that are always hard to explain by correspondence; or he will circulate his grievance among his friends and acquaintances, who are your prospects or policy-holders, or he will lapse the policy. The chances are that he will do all three of these things, to the detriment of all concerned.

6. The popular impression is that all twenty-year policies are *endowments.* Applicants with a twenty-payment life, or an ordinary life with a twenty-year distribution, will often refer to them as endowments. Their course of action does not indicate that the policy was misrepresented, nor does it indicate that the applicant understands the comparative difference in policy plans. It simply indicates the applicant's ignorance of policy names. Hence this difference in names should be explained when policies are delivered; otherwise, a misunderstanding is liable to arise, and the policy lapse under a false impression that it is a twenty-payment life and *not* an endowment, or because it is an endowment and *not* a twenty-payment life. For the *sole* purpose of impressing the necessity for fortifying your applicants on this point, we will illustrate how easily endowments are twisted if not properly delivered.

7. We will assume, for illustration, that your applicant is thirty-five, and his endowment three

years old. Your competitor meets him and tells him that he made a serious mistake in the selection of his plan of insurance. In other words, he should have taken a twenty-payment life policy. He tells him that the cash he will receive at the end of twenty years is based on the *amount* of his premium, and not on the *name* or the *amount* of his policy.

8. He tells him that the premium on a $1500 twenty-payment life policy at his age is approximately the same as the premium he is now paying on a $1000 twenty-year endowment. He tells him the cash guaranteed on the $1500 twenty-payment life policy at the end of twenty years is approximately the same as the cash guaranteed on his $1000 endowment, whereas, in event of death, the twenty-payment life would pay him $1500, instead of $1000 on the endowment.

The applicant then, naturally, wonders why you failed to mention these facts. Your competitor replies that you worked for a *commission*. In other words, the premium on a $1000 endowment is higher than the premium on $1000 twenty-payment life. The applicant sees the point, and his confidence in you is destroyed.

9. We will assume, however, that you are present at the interview to defend your policy. You would tell your applicant that the participating premium on $1500 twenty-payment life standard form policy, is $55 per year, or $5

more than the $50 he now pays on the endowment. You would tell him that the guaranteed cash value at the end of twenty years on the $1500 twenty-payment life policy is only $915, instead of $1000 on the endowment. In short, the twenty-payment life policy only guarantees the face at the end of twenty years in a *paid-up* policy, whereas the endowment guarantees the face in *cash*.

10. Your competitor *smiles*. He tells the applicant that the difference mentioned is correct, but he will fully compensate him for it. In the first place, he will give him $500 more protection, which, added to the $150 paid-up policy he will receive if he surrenders the endowment at the end of three years, would give him, in event of death, $1650, whereas his family would otherwise receive only $1000 on the endowment. In the second place, if he lives twenty years, the $150 paid-up policy will mature in cash, which, added to the $915 guaranteed on the twenty-payment life, would give him a guaranteed cash value of $1065, or $65 more than the endowment. In the third place, if he is sick or in poor health at the end of twenty years, the twenty-payment life guarantees $1500 paid-up for life, without medical examination, whereas he would have to draw the $1000 in cash on the endowment and surrender the policy.

11. Your competitor tells him that the word *endowment* is simply a name to distinguish one

policy plan from another. He tells him that the only sense in which one policy is better than another is the sense in which one policy fits the age and circumstances of an applicant better than another policy. He tells him that the word endowment does not necessarily mean $1000 at a certain date. The word endowment may be applied to *any* amount. In other words, the $915 guaranteed at the end of twenty years on the $1500 twenty-payment life policy is as much of an *endowment* for $915 as the endowment policy is for $1000, or any other amount. The question now involved in the mind of the applicant is not, do the actuarial facts in the comparison sustain your competitor's contention, but do the guarantees on the face of the two policies confirm his assertions?

12. Our methods of procuring prospects in city and country territory enable you to procure all the information you need for the selection of a plan that is *best* adapted to the age and circumstances of your prospects without mentioning any other plan at the time you present your proposition. A life insurance soliciting agent who sells an endowment policy to an applicant who should have a twenty-payment life, or *vice versa,* will hold his position and applicants just about as long as a clothing salesman would who sells a No. 50 coat to a customer who should have a No. 36. Misfits in life insurance, like misfits in clothing, breed dissatisfaction.

13. The time required to deliver a policy is only a few moments, but the *art* of doing it in a way that will fortify the applicant against the adverse contingencies of the future must be exercised with the same care that you would exercise in planting a tree—if you expect it to survive. The art of delivering policies, in its last analysis, is the art of preserving the confidence, influence and business of your applicant.

THEORY AND PRACTICE

Methods

14. As a supplement to this lesson, we will add a brief review of our theories on the art of soliciting, by giving you a concrete demonstration of their force and effectiveness in practice.

In the evolution of field work, you will procure applications from *three* sources. The first source will be applications procured from prospects during your *first* interview on the line or endless chain. The second source will be applications procured from prospects on the *deferred* or *back* calls. The third source will be applications procured from prospects through the collateral *influence* of policy-holders and friends. The ratio of applications to interviews from the three sources *combined* will be your *average.* All the

applications procured from back calls and collateral influence in towns and cities follow in the wake of your initial work. In other words, the number of applications you procure from back calls and collateral influence will be in proportion to your number of hopeful prospects, policy-holders and friends.

15. The best test of method is by a stranger in a strange city without prestige, friends or acquaintance. Hence, with this test in view, we will demonstrate the theory of the line and endless chain method in practice. The author arrived in New York, a stranger among strangers. He took for his first line of small policies the locomotive engineers on one of the large railroad systems entering the city. These engineers numbered from three to four hundred. The methods he employed were as indicated in this and previous lessons. In due time he branched from the line by the endless chain through all of the other departments of the railroad system and then out among all other lines and classes in Greater New York.

16. The result—practically all of the engineers under fifty years of age in the passenger or freight service entering New York over the lines of the system in question, insured with him for amounts ranging from $1000 to $5000. The same result is true with the heads and subheads of the other operating departments, besides the

many policies scattered by the endless chain among other classes. During this time the soliciting agent never met but *one* prospect with a policy in the company he represented. The applicants he procured, to the best of his knowledge and belief, never heard of the company, except through him, his policy-holders, prospects or friends. Not one complaint has ever been heard from any one of these applicants; not one policy has lapsed through any fault of the soliciting agent, contract, or company.

17. *Smaller Cities.* By the application of the same test in the same way, the same soliciting agent procured $30,000 in applications, ranging from $1000 to $5000 each, in New Orleans during the first thirty days he was in that city. By the same test and method he procured $25,000 in applications, ranging from $1000 to $3000, during the first thirty days he was in a little town—McComb City, Miss. The smaller cities mentioned were consecutive points.

18. *The Cross Roads Method.* By the application of the same test in the same way, the same soliciting agent practically lived for five years in a buggy, working rural country districts by the Cross Roads method. It was on July 1st that he tied a livery horse to the fence in front of a country doctor's, at a Cross Roads blacksmith shop, store and post-office in Tennessee. He was ten miles from a railroad and 140 miles from

acquaintances. He met the doctor, explained his mission, and he arranged to board with him while working that section. The soliciting agent secured a list of hopeful prospects within a radius of five miles, and circularized them as indicated in the fourth lesson. He then went to the next point or section, fifteen miles distant, explained his mission to the doctor there, and arranged to board with him. He then circularized all the hopeful prospects within a radius of ten miles of that point.

19. He then returned to make his closing rounds at the first point. The examiner rode with him, and examined the applicants as fast as procured. The soliciting agent then returned to the other point, and made the closing round in the same manner. It required two months to work the two points, but during this time he procured $94,000 in applications, ranging from $1000 to $5000 each. He then worked adjacent points in contiguous counties.

20. *Collateral influence.* We will now cite, for illustration, the history of five consecutive applications procured in New York by the same soliciting agent within one hour, through the *collateral influence* of other policy-holders. The soliciting agent called to interview a master mechanic. The road foreman of engines, on his own motion and initiative, inquired how much a policy would cost him. The soliciting agent replied and procured

his application for $5000, premium $212.95. The soliciting agent then met another man in an adjoining room, whose brother was insured with him, and procured his application for $2000, premium $87.30. This applicant introduced the soliciting agent to two strangers who were present, and he procured their applications for $2000 each, premiums $83.20 and $62.86. When leaving the yard, he met another man with whom he had only a bowing acquaintance, and procured his application for $1000, premium $49.90. In other words, five applications for $12,000 insurance, and premiums amounting to $496.21. If you imagine this result can be obtained within an hour in any other way, except by the *collateral influence* of the line and endless chain method —try it!

21. *The Influence of Little Things.* The same soliciting agent, on the 11th day of February, in New Orleans, received a letter from the company, with two blank applications enclosed, and a request for an applicant on the blank dated the 11th in honor of the President, and an applicant on the blank dated the 12th in honor of the Vice-President. It was then two o'clock. The soliciting agent selected a Mr. Mitchell in Algiers, on the opposite side of the river, as a sure applicant for the first blank. While crossing the river he was informed that Mr. Mitchell wanted to see him and take a policy. That made assurance doubly

sure. As he passed a corner grocery in Algiers, a stranger, whom he had befriended in a little matter involving a quarter, introduced him to two men standing in the door. The soliciting agent showed the men his "line of goods," procured the application of one for $2000, premium $80, on the blank in honor of the President. He sized the other man up as a *cheap clerk,* who inquired how much a fifteen-year endowment would cost him. When told, he replied that he would take $5000, premium $356.50. The soliciting agent mentally questioned his ability to pay for it, and told him frankly that he could not get it on account of his height and weight. The "clerk," looking over the rim of his glasses, replied that he could. There was a gleam in his eye and a tone in his voice indicating that he knew what he was talking about. Without further remarks, the soliciting agent accepted his application on the blank in honor of the Vice-President, feeling that he had lost the examination fee, on a "not-taken policy."

22. These two application blanks were all the soliciting agent had in his pocket; hence, he had to return to New Orleans without seeing Mr. Mitchell. The applications were approved and policies issued. The soliciting agent then investigated the financial standing of the "clerk." He ascertained that the "clerk" owned the store and block in which it was located; he was a stock-

holder in the Algiers Bank, and that he had money out on bond and mortgage. When the soliciting agent called at the store to deliver the policies the "clerk" was weighing sugar. He informed the soliciting agent that the other applicant was his brother-in-law; hence, by arrangement, he would pay for both policies. He did so—$436.50. The soliciting agent then apologized for his error in sizing the applicant up when he procured the application, and inquired what it was that "saved him." The applicant replied, "Your name was my mother's maiden *name.*" The soliciting agent suggested that, in honor of the coincidence, they make it $5000 more. The applicant replied "No." He had just taken $5000 more with another soliciting agent in another company—and he kept on weighing sugar.

23. The soliciting agent then decided to go and get Mr. Mitchell's application. When he arrived at the house, there was crape on the door. Mr. Mitchell had been killed that morning by accident. The soliciting agent returned to the ferry, and, as he stood on the levee waiting for the boat, his eyes roamed across the river and over the low buildings of New Orleans, while his mental vision saw, as never before, the collateral influence of *little things.* Two *sentimental* application blanks and the influence of a *name* and *quarter* procured $7000 insurance and $436.50 in premiums that he would have never otherwise

received. The absence of an *extra* application blank on the same day prevented Mr. Mitchell from leaving $2000 to wipe away the tears of his widow and hush the cries of his fatherless children.

REVIEW QUESTIONS

Define the art of delivering policies. What governs the time and place to deliver policies? What should your method of procedure follow? Enumerate the order in which the major points should be explained. Why should you explain the name of the policy? When does an applicant accept a policy by faith? How would you fortify a policy against adverse contingencies? How are the points of a policy expressed? Are they in simple terms? What conclusion do policy-holders jump at when they fail to understand their policies? Will they come to the agent for explanations? If not, what do they generally do? What is the popular impression about all twenty-year policies? Why do misfit policies breed dissatisfaction? Illustrate how policies are twisted. Define the word endowment.

State how our methods of procuring prospects enable a solicitor to select the best plans for an applicant. How can an applicant's confidence in an agent be destroyed? From what classified source are applicants procured? The number of applications procured are in proportion to what? How is a method best tested? How much time is required to deliver a policy? Are policies mathematical equivalents? Can you judge a prospect's financial circumstances by his appearance? What morals are taught by "little events" in field work and is there any known way by which we can measure their far-reaching effects? How would you fortify your policy-holders against "twisters?"

LESSON VIII

THE SCIENCE OF CREDIT AS APPLIED TO INITIAL PREMIUMS

The Science of Credit as Applied to Initial Premiums

The various life insurance companies have different rules governing the settlement of initial premiums on delivery of policies. Some companies in America require cash settlements exclusively, whereas other companies frequently accept notes in lieu of cash, providing the soliciting agent guarantees to pay the examination fee, term rate, or net premium in event the note is not paid.

1. The majority of soliciting agents for all of the regular Ordinary companies in America accept notes, more or less, in lieu of cash on delivery of policy, and they advance the cash premium to the company as a personal and private transaction.

2. Many of the contingencies that arise to cause the non-payment of notes cause the non-payment of renewals, regardless of whether the initial settlements were by *cash* or *note;* hence the fundamental truths in this lesson are as essential to insure the payment of renewals as they are to insure the payment of notes. A soliciting agent should exercise the same degree of caution when establishing business on a cash basis, to insure the payment of renewals which involve a profit or loss

to a policy-holder and company, as he would exercise in establishing business on a credit basis to insure the payment of notes which involve a profit or loss to him.

3. The percentage of a soliciting agent's unpaid renewals on business procured exclusively on a cash basis will approximate the percentage of his unpaid notes accepted on a credit basis; hence the payment of renewals and notes is contingent upon the method by which the business is procured and delivered.

4. *Settlements.* Cash on delivery of policy is an ideal settlement, but, like other ideals, it cannot always be attained. Life insurance companies as a rule allow thirty days from the date of issue for the delivery of the policy and the collection of the initial premium in cash. The time allowed, when considered in connection with the privilege of making the payments annual, semi-annual, or quarterly, appears to be sufficient to meet the convenience of all applicants. The home office records of initial settlement on millions of new business each year seem to confirm this impression. These records, however, are evidence that the managers or soliciting agents remitted the initial premiums in accordance with the company's rules; but they are not evidence that the applicants paid the initial premiums in cash on delivery of policy, or that they ever paid them. In other words, the soliciting agent may have advanced the premium

to the company by mutual agreement with the applicant and accepted his note in lieu of cash on delivery of policy, or the solicitor may have accepted the applicant's note in payment of the initial premium and he may have endorsed it to the manager, who may have advanced the cash premium to the company and charged it to the soliciting agent's account. Both of these methods are in common practice among the soliciting agents and managers of the Ordinary companies.

5. An applicant's note is never as good as the money; hence, if it is accepted by a solicitor, it is the result of conditions and not from choice. The majority of prospects in towns and cities live close to their earnings, with obligations often contracted in advance of their income, and in country territory the money season comes and goes, as a rule, with the crops, but once or twice a year. If a company's rules do not accord with a prospect's convenience as to time in paying the initial premium, he will postpone the application until his convenience accords with the rules. He, perhaps, reasons that he has lived several years without a policy and he believes from his point of view that he will live two or three months longer, until he can afford to pay the premium. It is true, he may die the next day, but the fear of death, as a rule, does not prey upon his mind with sufficient force to make him borrow the money.

6. If the delay was the only question involved,

you could afford to wait for the application, but experience will teach you in America that when the time comes for another interview, you may find that the prospect has insured through some other soliciting agent who arranged the payment to suit his convenience, or that he has made other arrangements for the cash settlement of the premium. Hence it is obvious in theory and certain in practice that there is an interval of from one to four months between the convenience of *some* prospects and the time allowed for initial settlements by the rules of some companies. If you cannot bridge this interval by changing the premium from annual to semi-annual or to a quarterly payment, or by a preliminary term rate, as suggested in a previous lesson, then you will have to postpone the application, or arrange the settlement by note in lieu of cash on delivery of policy. You cannot accept a note, however, in settlement of the premium unless you have a working capital, from which to advance the cash premium to the company; and if you have a working capital, you cannot afford to advance a premium until you are master of the science of credit as applied to initial premiums.

7. *A Note Settlement.* A promissory note in America is the handmaid to Ordinary business. A note frequently has more force in procuring an application that hinges on the terms of settlement than all of the benefits and privileges of a policy

combined, because it frequently procures the application when all of the other means have failed; hence a note is another important factor that determines your average number of applications to interviews.

8. Life insurance notes, however, have but few friends among their acquaintances. It is alleged that insurance notes have financially ruined more soliciting agents and managers than all the other field causes combined; hence they have but little credit with companies, managers, and banks. We admit the allegation and enter a plea of confession and avoidance in defence of the note. The loss was not caused by the note, but it was caused by the incompetency of those who procured and handled it. The same disastrous results attributed to the notes would have followed in the wake of renewals, if their non-payment involved the same liability upon the soliciting agents and managers. A note is dangerous or serviceable in proportion to your knowledge of how to use it. If the contingencies that surround insurance notes are your master, you should confine your business exclusively to a cash basis; but if you are master of the contingencies that surround the notes accepted in settlement of initial premiums, they will be paid with a moral certainty.

9. *The Risk.* A note is evidence of a debt, and it is a moral or legal risk. A moral risk is one that is execution proof, and it is good or bad,

according to the financial ability and character of the applicant who executes it. A legal risk may be secured by the process of law without regard to character, because the maker or applicant owns real or personal property that is subject to execution. For illustration, one of the oldest and largest mercantile houses in New York does a credit business exclusively on *moral* risks; whereas another large mercantile house does a credit business exclusively on *legal* risks.

10. The majority of notes accepted in settlement of initial premiums in towns and cities are moral risks, whereas the majority of notes accepted in country territory are legal risks. Contingencies may arise in various ways to cause the non-payment of notes. They may arise from defects in understanding in connection with your company, or policy, or they may arise from defects in character, form of the note, inability to pay, or your method of collection. These contingencies should be anticipated and eliminated by a careful selection of policy form that is best adapted to the applicant's age and circumstances, by a scientific presentation of the major and minor features of the policy, and by a proper delivery of the same in accordance with our previous instruction. The contingencies that arise to cause the non-payment of notes or renewals from defects of character, or inability to pay, can be anticipated and eliminated

when you procure the names of prospects by the Endless-Chain or Cross-Roads methods. These methods are designed to place you in a confidential relation with men who are well acquainted with the habits, character and financial circumstances of your prospects.

11. The note executed by applicants in settlement of initial premiums are not protected by the principle of self-interest as well as the notes they execute for other consideration. They may pay a note due a bank or a merchant to protect their credit, or, in view of further accommodations; but they may never see you again, and they may never desire any other or further accommodations from you. Hence, to insure the payment of insurance notes or renewals, they must rest firmly upon an applicant's *ability, understanding, character,* and conscience.

12. *Terms of Settlement.* If an application hinges on the terms of settlement, and if you are in position to finance the business, and if you are willing to accept a note in lieu of cash on delivery of policy and advance the cash premium to the company, you can then tell the prospect that you will arrange the settlement on delivery of policy to suit his convenience, draw the application and proceed with the questions and answers, as indicated in a previous lesson.

13. The stereotyped formula, *I will arrange the paymènt to suit your convenience* (in lieu of

specific terms), will operate to your advantage in several ways:

(I.) The applicant may arrange to pay you cash on delivery of policy;

(II.) It will give you time to further investigate the moral or legal risk.

(III.) If the application hinges on terms of payment, you can secure better terms on delivery of policy than you are apt to *offer* at the time of the application.

14. If, however, an applicant desires to know the specific terms of settlement before signing the application, evade the question by answering that it will be time enough to arrange the payment when the application is approved and the policy issued by the company. Some companies require you to collect a partial payment with the application, to cover the expense of issuing the policy in event the applicant refuses to accept it.

15. When you deliver a policy hinging on the terms of settlement, let the applicant suggest the best settlement that will suit his convenience. The chances are that his suggestion will be more favorable to you; if not, it will unveil his financial circumstances as a basis on which you can modify it to suit you. If he fails to pay cash on delivery, he will generally express his convenience in one of three ways: By paying you part cash and the balance on time, or by paying the whole premium in one sum at a future date, or by dividing the

premium in two or more partial payments. If so, you should keep the following points in view:

16. *The Renewal.* Do not arrange the settlement of the initial premium so that the payment will conflict with the applicant's convenience in paying the second premium; otherwise, the two payments coming together may cause the non-payment of both, and lapse the policy. If the applicant's inconvenience is caused by other obligations maturing on or about the date of the initial premium, such as interest or a partial payment on a mortgage, or if the payment of the premium is contingent on the sale of a crop, or the receipt of interest or rent on a fixed date, these facts will always develop at the time you procure the application; hence you should arrange the policy date of renewals to accord with these conditions; otherwise, when the next premium becomes due, the same inconvenience may arise and lapse the policy. In other words, if the initial premium is due in May, and it does not suit the applicant's convenience to pay it until he sells a crop, or collects his rent, or interest, in September, you may bridge the interval between May and September with a note for the initial premium; but what about the next premium, when it becomes due the following May, providing it does not suit his convenience to pay it until September? You can arrange the date of renewals at the time of application in most companies to accord with the applicant's convenience

by adding a preliminary term rate to the first annual premium.

17. *Form of Note.* If you accept a note in settlement of an initial premium that involves a liability on you, make the note payable to your order, providing it does not conflict with the rules of the company. You can then remit the premium in *cash* to the company, and hold the note, discount it, or sell it, as your interest may dictate.

18. A note in settlement of an initial premium, payable to the order of the company, practically invites non-payment. If it does not suit the applicant's convenience to pay the note when due, he reasons from the form of the note that he does not owe anything—he did not die; hence no one lost anything, and he may discharge the obligation by returning the policy for cancellation. A note in this form contains nothing on its face to indicate that you have any interest or liability involved in event of its payment or non-payment; whereas, in fact, you have a commission contingent on its payment and you are obligated, as a rule, in event of non-payment, to pay the examination fee, term rate, or net premium. A note payable to your order is in a form that you can endorse by agreement to your manager or company, if desired, and, in event of non-payment, you can redeem it and collect it by suit or otherwise; or you can cancel the policy, if your contract provides for that option, by paying the examination fee and

term rate, as your interest may appear. It is, however, the privilege of any and all companies to decide what form of note they will accept, *if any;* and if they prefer a note payable to their order, you have no alternative except to comply with their rule, or to finance your own business.

19. *One Note.* If an applicant wishes to settle an initial premium by two or more partial payments, include the whole amount of the premium in *one* note, due on the date of the *last* partial payment instead of dividing the premium in two or more notes. In other words, if the applicant wishes to pay the premium by two or more partial payments, thirty days apart, execute but one note for the whole amount and tell him that you will collect the partial payments as they accrue thirty days apart and credit them on the note. This method reduces the transaction to one note and it leaves the partial payments to adjust themselves by verbal agreement to any contingency that may arise during the period, without interfering with the written terms of the note. This method also keeps the final date of the note and the obligation coming toward the applicant, which, with a little persuasion, will often lead him to pay the full amount of the note at the time of the first or second partial payment. You always invoke the principle of self-interest in your favor if you procure a partial payment with the note or as soon thereafter as possible. The applicant will pay the

balance due, as a rule, to avoid losing the partial payment.

20. *Explain the Transaction.* When you accept an applicant's note, always read it to him after you have procured his signature, providing he fails to read it before he signs it. The majority of applicants will sign without reading any paper or writing that you place before them at the time of the application or on delivery of policy; hence the necessity for reading the note to them; otherwise they may not know that they signed a note. *Tell* the applicant that you accept the note and you advance the premium to the company as a personal and private transaction; *tell* him that your company does not accept notes in payment of premiums, or pay death claims with them; *tell* him that if he fails to pay the note the loss will be yours and not the company's. *Tell* him that the note is for money which you are loaning him to pay his premium, exactly the same as you would loan it to him to buy a watch. The applicant then understands the transaction; the form of note, payable to your order, confirms your assertions, and the obligation rests on his mind and conscience the same as all other obligations with which he is familiar.

21. *Take a Receipt.* When you accept an appplicant's note in settlement of an initial premium, take a receipt, at the same time, signed by him and reading in substance as follows:

This certifies that I have received, read and accepted policy No........... for $........... issued by the............Company, which I find exactly as represented by Mr. ....

(*Dated and signed.*)

22. The applicant signs the receipt under the impression that it is designed for his protection, whereas, in fact, it is designed for your protection. In other words, if he should default in the payment of the note when due, the receipt would bar him from alleging misrepresentation as the cause of non-payment. Hence the receipt in event of suit may be worth the face of the note to you.

23. *Collections.* The notes of business and professional men, as well as legal risks in country territory, may be collected by notice from your office or through their local banks. Moral risks, however, in towns and cities, have been educated by custom for collectors to call for the payments at their homes or their places of business; hence, if you accept a note on a moral risk, you will find that calling for the money serves a threefold purpose; it facilitates the collection, enables you to clear up any misunderstanding, and it gives you an opportunity to procure new business among the applicant's friends and acquaintances.

24. Collecting delinquent notes in remote country districts is a more serious problem, owing to the distance and expense. If you employ a lawyer, it necessitates remitting an attorney's fee

and the initial cost of a suit. Then, after a series of delays or appeals, judgment may be entered in your favor; then, after another series of delays, you may or you may not receive the money. The legal contingencies that surround delinquent notes in remote country districts may be eliminated in some states by a *confession of judgment.* In other words, a clause is inserted in the note, or a separate paper writing of even date, signed by the applicant or maker of the note, authorizing you or some one else, in event of non-payment, to confess judgment before any court of jurisdiction in the state. This method eliminates lawyers, trials and appeals. Any lawyer can supply you with a form of note or separate paper writing required for this purpose.

25. *Notes in Escrow.* When a note is executed in settlement of an initial premium at the time of application, it is executed in escrow. It has no legal validity until the policy is issued and delivered as represented and applied for. The validity of the note *then* relates back by legal fiction to the date of its execution. In event the applicant fails to pay the note when due, and, if he alleges misrepresentation in event of suit, the burden of proof would be on you; hence, when you accept a note in escrow you should keep this contingency in view. You can eliminate it, however, by making the note accepted in escrow payable *on delivery of policy;* then, when you deliver the policy, you can have the applicant sign a *new* note

in settlement of the premium for the time agreed upon and you cancel the note accepted in escrow. If it is not convenient to do this, you can reduce the contingency of the applicant's alleging misrepresentation to a minimum by reviewing with him the major and minor features of the sample policy at the time you procure the note and application, exactly the same as you would otherwise do on delivery of policy.

26. Applicants, as a rule, are honest. The broader the horizon of your experience in dealing with men and credit, the more that truth will be emphasized. If an applicant fails to pay a note, or a renewal, you will find, as a rule, the cause due to your *error* in selecting the prospect, or your method of presenting the proposition, or the way you delivered the policy, or the form of the note, or your method of collection.

27. You can read an applicant's character by his course of action when he signs the note and application. If, without reason, he indicates suspicion of you, the company or the contract, you had better deal with him on a cash basis. On the contrary, if he signs the application blank and note with ordinary prudence or without reading them, it is *prima facie* evidence that he is honest.

REVIEW QUESTIONS

Define a note. Define a moral and a legal risk. Are the majority of insurance notes moral or legal risks? Specify some of the contingencies that cause the non-payment of insurance notes. How would you anticipate and remove these contingencies? Are life insurance notes protected by the principle of self-interest? Is the acceptance of a note by a solicitor a personal or an official act? Why do solicitors accept notes in lieu of cash? How does the percentage of unpaid notes compare with the percentage of unpaid renewals? Upon what is the payment of notes and renewals contingent? Is the delivery of a policy evidence that the applicant paid the premium in cash? If not, why not?

How close do prospects, as a rule, live to their earnings? When a company's rules do not accord with a prospect's convenience, how does the prospect reason? Is the delay caused by a prospect's convenience the only contingency to reckon with? Why is a note the handmaid to the life insurance business? When is a life insurance note serviceable? How would you arrange the terms of a note settlement? What advantage would accrue by a settlement in one instead of two or more notes? What form of note should you use and why? How would you invoke the principle of self-interest in a note settlement? Define a note in escrow.

LESSON IX

ARGUMENT

Argument

Argument is a direct appeal to reason for the purpose of determining truth. It is like a brisk wind that clears away the fog in which a subject may be wrapped and reveals the truth in a prospect's mind. A working knowledge of the following rules and definitions is essential:

1. *Facts and Assertions.* Facts are truths; assertions are statements that may or may not be true.

2. *Conviction and Persuasion.* Conviction is a belief established by an appeal to reason; persuasion is a belief established by an appeal to the emotions which are the springs of action. Persuasion reinforces conviction.

3. *Motives and Procedure.* Men reason alike, but they act from different motives. The higher the motive, the stronger is the persuasive power and impulse to action. Proceed from the simple to the complex and from the concrete to the abstract. State particulars first and leave suggestions and generalities until you have revealed the facts on which they are based.

4. *Prospects.* A policy contract is your best argument. When the salient points of protection and investment are logically presented, they appeal to the reason and emotions of men with a compelling force that moves many to action without

the aid of another word. The moment these benefits and privileges are revealed, they answer many objections that would otherwise arise and their silent appeal to the higher motives of love and duty have more persuasive power than many appeals to a lower scale of motives. If these appeals fail to move a prospect to action, it is not always evidence that the motives of love and duty are absent. On the contrary, a defective understanding or a lack of confidence in you may be strong enough to counteract a natural impulse to action.

5. You can narrow an argument down to one or two stock objections and answers that usually arise in the following form:

(I.) *"Life insurance is blood money."* No; it is bread money.

(II.) *"Your Company is too small."* A gold dollar is not as large as a silver one, but it may be just as good.

(III.) *"I have a friend in the business."* You only think you have. A *friend* would have procured your application.

(IV.) *"My wife objects."* Widows never do. Your wife may approve but hesitates to express it.

(V.) *"I do not want anything that I have to die to win."* You will have to die whether you win or lose.

(VI.) *"Times are too hard."* They are not as

hard for your family while you live as they would be without life insurance when you are dead.

(VII.) *"I am too old."* All things considered, your rate is more favorable than for younger ages, because the young may die, but the old must die.

(VIII.) *"Let them hustle the same as I did."* That is what you say, but that is not what you mean. You will be gone for a long time when you are gone for good, but your family who remain will need clothes, shelter and three square meals a day.

(IX.) *"I will take a policy as soon as I get my home paid for."* If you take a policy and die, the life insurance will pay for your home; if you live, you can pay for it. In either event, you secure the payment.

(X.) *"I cannot pay for it now and I will not give my note."* If you live you can pay your note; if you die, it will be paid by your life insurance. You have no right to take chances on death or your ability to get life insurance later.

(XI.) *"If life insurance is such a good thing why do not millionaires put more money in it?"* They would if they could. The amount of life insurance that any one man can buy is limited and conditioned on a *good* physical record, a *good* family history and a *good* personal history that money cannot buy.

(XII.) *"I can beat the investment by putting my money in a savings bank."* Suppose you try by depositing $100 per year in a savings bank and

also deposit $100 a year in a life insurance company for $3000 insurance. Now suppose you make three deposits and die—what then? Your beneficiary would draw $300 from the savings bank and $3000 from the life insurance company.

(XIII.) *"I can use my money to better advantage."* You may *if* you live; *if* you make no bad investments and *if you* save it. These *ifs,* however, can only be eliminated by life insurance where your small savings are consolidated with the small savings of many others into large and profitable investments. The fixed dates for your premium deposits in life insurance have a compelling force that is absent in the voluntary savings of small amounts.

(XIV.) *"I am paying too much for my life insurance."* I can reduce your premium and make the *average* cost per $1000 lower. In other words, if you have $5000 Endowment with annual premium deposit of $50 per $1000, or $250 per annum, I can reduce the average cost per $1000 by adding $5000 more life insurance on a Term plan for $75 per annum, making your total amount of insurance $10,000 and your total annual premium $325—an average cost of $32 per $1000.

(XV.) *"I can carry my own risk."* You may carry it in fire insurance but not in life insurance. If you should burn out, it is your loss; but if you die, it's your family's loss. You carry no risk in life insurance because when you are dead your

wants end. You may never burn out, but you must die. You protect yourself with fire insurance from a loss that may never occur and you expose your family to a loss by your death that must happen sooner or later.

(XVI.) *"Insurance is gambling."* No; you gamble when you do not insure. You are betting against death and you are sure to lose. A life insurance company takes no chance on you as an individual. They deal with you as *one* of an average number of individuals. The death rate of an average number of individuals is certain, hence there is no element of chance.

(XVII.) *"I am not going to leave life insurance for some other fellow to squander."* You are not going to take anything with you when you die. The other fellow would squander other property as quick as he would life insurance. If you die without life insurance, your wife may be compelled to marry the other fellow for a living.

(XVIII.) *"God will provide for my family."* He has already provided for them if you will utilize the means at your disposal; a means that will enable you to shift the burden that may crush your family in event of your death to the shoulders of many in a life insurance company who would not feel it. You cannot atone for your neglect to do so by a death-bed repentance. It is then too late for life insurance. God has warned you in the Scriptures that he who provideth not for his own house-

1 Tim 5. 8

hold has denied the faith and is worse than an infidel.

6. *Final Appeal.* There will come a time when there will be one or two honest hours in your life. One may be an hour in old age, the other may be the hour of death. These will be hours in which your Necessities or Conscience will ask what provision you have made for yourself or those who may be dependent on you. We may then see your children as you have seen others scattered like sheep upon the mountain side; we have observed the cold charity of relatives and friends surrounding the infirmities of old age and we have heard the prayers, that perhaps you may have heard, for the chords of life to snap rather than to live on under such unfortunate circumstances. There will come a time when you may need a strong arm of protection around your old age or around your family, hence do not leave them exposed to pitiless poverty and its attendant temptations in event of your death.

7. *Competition.* The best way to meet *face* to *face* competition is to avoid it. There are times, however, when this course of action would not be justified. In that event, impose a condition that at the close of the argument, the prospect must apply for a policy through you or your competitor. Formulate and agree on a method of procedure in order that every step in your argument may bring you nearer the end. The prospect is the judge and

he should announce his decision on every point scored and tally it for or against you in order that there may be nothing to do at the conclusion of the argument except to count up the score, announce the result and sign the application.

8. *Methods of Procedure.* Company, contract and result cover the classified scope of an argument in competition. The scope, however, may be narrowed down by agreement to a question of contract, or contract and results without raising any question of company. The question of scope should be governed by the amount of the policy in view, intelligence of your prospect and your knowledge of the business. In other words, if you know your business and have nothing to lose by comparison of contracts, you can limit the argument to a question of contract.

9. On the other hand, if you are not sure of yourself, or if you feel certain that you would lose on a comparison of contracts, you should broaden the scope of your argument so that it will compass company and results, because the strong points you score in favor of your company and results, together with whatever points you score on contract, may win the decision. In either or any event keep in mind the distinction between *facts* and *assertions.* Keep your ears open for assertions that are not facts, because by refuting them you may end an argument with terrific effect upon a prospect's confidence in your competitor's

integrity and win a decision in your favor that you might otherwise lose on the merits of your respective companies, contracts and results. Fortify yourself against this method of attack by keeping in good humor and asserting only facts that you are in position to prove.

10. The following suggestions cover a few of the points for comparative argument:

(I.) *Company.* Economic advantage of organization—mutual, stock or mixed. Assets, surplus and volume of business.

(II.) *Contract.* Rate, plan, conditions, restrictions, benefits and privileges. The advantages or disadvantages that accrue in the operation of insurance laws of the states in which the companies are chartered.

(III.) *Results.* Methods of dividend distribution—participating and non-participating. Economic advantages in management—investment, interest earnings, methods and promptness in paying death claims, maturities, loans and cash values.

11. If your competitor claims that he represents the *best* company, then refer to yours as the *second* best, because there cannot be but *one* best. If a prospect indicates that he is guided by your competitor's assertions, instead of by facts, tell him that you can make assertions just as alluring as your competitor. Prove one thing at a time; go direct to the point, and as soon as a prospect is

convinced on that point—drop it. The more you hammer a nail after it is driven, the more you loosen it. Concern yourself only with real objections. Do not mistake excuses for arguments. The man who admits, but does not act, is not convinced. A man's affection for his family is not determined by the endearing names he calls them nor by the money he allows them, but it is determined with absolute accuracy by the amount of life insurance he carries.

12. *As an Investment.* A policy is an anchor of security. It means safety of principal, certainty of return, and, better still, peace of mind. The actuarial Sphinx in life insurance looks down on the world of human affairs undisturbed by changing customs, creeds and economic conditions. A policy provides a safe place for small savings and it eliminates the difficulty involved in finding good investments for small amounts that sometimes deter men from saving anything at all. It discounts the future and reverses the ordinary methods of accumulation. It forces a man to save by a mild compulsion in accordance with his resolution.

13. The uncertainty of life is a painful subject. Death often overtakes even the strong and healthy with appalling suddenness. A prudent man hedges with life insurance against the possibility of a premature death. It is the only way a man can create an estate with the stroke of a pen.

It is the safest of all investments. Trade and speculation may bring greater profits, but trade and speculation may bring ruin. The margin between income and expense is growing narrower; hence the necessity for life insurance is growing more and more among all classes. Present necessities cause many men to imagine that they cannot afford to carry a policy. However small a man's income may be, there are other men living on less; hence the marginal difference could be invested in life insurance. The way is simple and the duty is obvious.

14. The subject, however, is too technical for a layman to act unadvised. He needs the service of a qualified soliciting agent who has an accurate knowledge of material facts, indispensable to a wise choice that a layman does not know exists or where or how to find. A solicitor devotes his whole time to this particular form of investment and he will always have suggestions that would not occur to a layman. He knows the advantage and the disadvantage of the different forms of policy contracts and their application to the different needs, conditions and circumstances of men. One company and plan may be best for one man, whereas another company and plan may be best for another man. There are many groups of facts to take in account when examining a company, plan and terms of a policy contract. There will always be differences of financial ability, of busi-

ness capacity, medical skill, moral rectitude and liberality; differences in fundamental principles of administration—differences of views and questions of plan and adaptation of features to a man's individual necessities.

15. The fact that a hat or shoe is made of good material is important, but a man should know their size, shape and style before buying them. They may be up-to-date or they may be modeled after the style of one hundred years ago. If a man is going to build a house he would have it designed by an architect and constructed by a builder. The only prudent course for a layman to deal with the subject of life insurance is to consult a qualified soliciting agent and act on his suggestion.

REVIEW QUESTIONS

What is the purpose of argument? Define a fact. Define an assertion. Define conviction. Define persuasion. Do men reason alike? Are they governed by the same motives? How can you increase persuasive power? How should you proceed with complex or concrete subjects? How would you arrange the order of complex or concrete subjects? How would you arrange the order of particulars and generalities? What is your best argument in life insurance? How should the protection and investment features of a contract be presented to give them a propelling force? Is there persuasive power in a silent appeal to love and duty? Is the failure of an appeal evidence that motives of love and duty are absent? Name two points that may counteract a natural impulse to action.

How can you narrow an argument down? State some of the objections and answers to life insurance. What conditions should you impose on a prospect before entering into an argument with a competitor? State the method of procedure that should cover the classified scope of an argument. Why should you keep the distinction between facts and assertions in mind during an argument? How should you fortify yourself during an argument? Name the classified heads under which you should crystallize the points for argument. Name one of the points that determine a prospect's affection for his family. How does life insurance compare with other forms of investment?

LESSON X

PERSONALITY

Personality

1. The moment you enter a prospect's presence, your personality permeates the atmosphere. The moment he looks into your face he has an estimate of your character and the moment he looks into your eyes he knows how you spend your nights—in sleep or otherwise. Your face proclaims what you are. If you lack sympathy and suppress every emotional phase in your nature, your face will become hard and repellent. If you are a dollar worshipper there will be nothing left in your eyes but an eager look for money.

2. Your manner tells him whether you are dominated by fear or inspired with confidence. You can change your character. You can replace undesirable traits with desirable ones. The transformation must come from within. If a prospect believes in you, it is then easy for him to believe in your proposition. A defect in your personality will operate on a prospect's mind the same as a defect in your proposition. You need the psychological force of a strong personality to aid you to overcome doubt, ignorance and prejudice among many prospects.

3. *Character.* Character is what you are—reputation is what other people think you are. You may have a good character and a bad reputation or *vice versa.* The majority of prospects in

life insurance know you only by reputation and a good reputation does not always follow a good character; hence you should fortify your reputation by a guarded course of action in your social and business relation with the people. A soliciting agent should be a gentleman with a high regard for the feelings, rights and interests of every one.

4. Temptation presents itself in many forms. It may be to let a prospect act under a false impression, or it may be in the form of a rebate on which an application may hinge, or it may be to take advantage of a prospect's ignorance of the subject of life insurance and twist him from one company to another. In whatever form temptation presents itself, if you yield—you lose. The temporary gain is offset by the damage to your character and the future loss of a prospect's confidence and respect. Yielding to temptation develops a weak and vacillating will-power that is always haunted with fear and hesitation. Every temptation you overcome strengthens your will-power and develops a tenacity of purpose. Will-power is the capital stock of all strong personalities.

5. You represent both the applicant and the company, hence you should be frank, open and honest. A prospect is quick to recognize it when you have his welfare at heart. Your faith in yourself, company and policy-contract should be implicit. Your earnestness when inspired by con-

fidence often makes a stronger appeal than words or reason. Confidence is the genius of success.

6. Mental attitude is the mould in which character is formed. "As a man thinketh in his heart, so is he." A soliciting agent is the result of his thoughts. If he is satisfied with himself and his condition and wants nothing better, it may be because he knows nothing better, he has heard of nothing better, or that he has had nothing better. Many soliciting agents, however, are anxious to improve their condition, but they hesitate to improve themselves.

7. *Ambition.* Ambition is the mainspring in a man's life. It is a desire to attain by moving forward and upward, step by step, a gradual elevation toward a central purpose. Without ambition there is no incentive to improve and no vitality in work. The essence of progress is change from a lower to a higher plane. Plan and method underlie all achievement. A soliciting agent should have a purpose and then climb steadily and persistently toward it. He should begin at the bottom and evolve his plans, step by step, just as a great artist begins by painting the bones, then the muscles, then the flesh and then the skin until the picture is completed. Men who succeed are men with a purpose. All great enterprises and institutions were once a vision and purpose in the mind of a strong personality.

8. *Courage.* Soliciting agents with courage

are optimistic, hopeful and loyal—cowards never are. The human race has been hypnotized by fear. It has been instilled in us from childhood. It dominates some people from the cradle to the grave. It stands in the way of all progress and we succeed just in proportion as we free ourselves from it. Men once cowered before lightning as a manifestation of an angry god, but when fear gave way to understanding, they recognized a force in nature that they could control. Doubt, uncertainty and fear will ruin anyone who entertains them. Fear inspires worry; it keeps the mind in a state of chronic anxiety and it will paralyze effort and undermine the foundations of success. It will make you a victim of environment and a slave of circumstances. The man who says, "I can't"—never will.

9. "Have you something of moment planned,
Of work, of barter, or sale?
And do you now like a craven stand
Deterred by the fear you'll fail?
Then let this message of mine ring clear
And prompt you your wings to test—
The only failure a man should fear
Is failure to do his best."

10. We should not let the power of adversity control us. We should assert our superiority over environment and adverse circumstances with the spirit and courage of the following poem:

"Out of the night that covers me,
  Black as the pit from pole to pole,
I thank whatever gods there be
  For my unconquerable soul.

In the fell clutch of curcumstance
  I have not winced or cried aloud;
Under the bludgeonings of fate
  My head is bloody, but unbowed.

It matters not how straight the gate,
  How charged with punishment the scroll,
I am the master of my fate,
  I am the captain of my soul."

11. Fear has no place in the life of a progressive man. Progress to-day has to be forced in everything that is sold and life insurance is no exception; hence do not let the shadow of fear cloud your mind—expel it as you would a thief from your house.

12. Good health and a good bank account are also strong forces in your personality. A soliciting agent should keep his body and mind in good working order. If he wastes his strength and vitality the chances are that he will be careless and indifferent to his opportunities and responsibilities. A good bank account gives him a sense of security and makes him self-reliant and independent.

13. Life insurance is a character making as well as a beneficent institution. There is no other vocation that will develop quicker the potential value of men and women. A strong personality is not the result of sudden transition. It is the product of long practice, experience and growth. The ideal soliciting agent in life insurance has the mental, motive and vital temperaments well balanced and blended. He is endowed by nature with reflection, action and feeling. The mental temperament makes him thoughtful, reasonable and deliberate; the motive temperament makes him active and energetic, and the vital temperament gives him feeling and sentiment.

REVIEW QUESTIONS

What happens the moment you enter a prospect's presence? What does he know the moment he looks into your face? What does your manner tell him? How will defects in your personality operate? Why do you need the force of a strong personality to aid you in soliciting life insurance? What is character? Does a good reputation always follow a good character? Why should a solicitor always be a gentleman? In what forms do temptations present themselves in soliciting life insurance? What effect does yielding to temptation have on your character? Why should you be frank and honest with applicants? What makes a stronger appeal to a prospect than reason? What is ambition?

What is the essence of progress? Why should a solicitor be governed by a purpose? All great enterprises and institutions were once what? What does courage make of a solicitor? The human race has been hypnotized by what? What does fear do and inspire? Should we let the power of adversity control us? Has fear a place in the life of a progressive man? Does progress have to be forced? Name two strong forces in a good personality. How should a solicitor keep mind and body? In what way is life insurance a character building profession? Is a strong personality the result of a sudden transition? What constitutes an ideal solicitor? In what mould is character formed? Can you improve your condition without improving yourself? Is there any incentive to improve without ambition?

LESSON XI

TIME AND WORK

Time and Work

1. Success in life insurance requires time and work the same as it does in all other lines of human endeavor. It requires time and work to procure hopeful prospects; time and work to interview them; time and work to procure their applications; time and work to have them examined; time and work to deliver policies; and, sometimes, time and work to collect the premiums. It requires time and work to establish a clientele of friends, acquaintances and policy-holders in order to secure a current of influence that will enable you to procure business faster and easier. Hence, time and work are factors that help to determine your average number of applications to interviews.

2. People will not come to you, as a rule, and apply for life insurance. The reason why this is so may be interesting, but the fact remains that if you procure the business, you will have to go after it. Unsolicited applications are so rare that they are viewed with suspicion by life insurance companies and managers. As evidence of which, one of the leading companies of the United States issues instruction for their agents and soliciting agents to thoroughly investigate the motives and financial standing of strangers who apply, unsolicited, for insurance.

3. *Time.* Life insurance soliciting agents are masters of their own time. Observation and experience teach that when you work for yourself, you are working for a generous master. The majority of soliciting agents need a task master in the form of a boss, allotment or some other method that will tie them down to a definite task each week or month. One soliciting agent will tie himself down to earning his living expenses for the whole month during the first week and the balance of his earnings during the month represents his savings; another solicitor will tie himself down to writing a specific amount of business each week or month; and other soliciting agents will use other methods to compass the same end.

4. You will waste time and lose prestige among prospects if you are deficient in a working knowledge of the science of insurance and the art of soliciting. You will waste time and lose opportunities if you persuade yourself that this or that hopeful prospect will not insure and thereby fail to interview him. There is no known way by which you can accurately anticipate what a hopeful prospect will do except by a direct personal interview. If you interview all of your hopeful prospects regardless of your preconceived ideas, you will find that at the end of a week or month, you have procured many unexpected applications not only from your hopeful prospects, but from others whom you met by chance.

5. You will waste time if you interview prospects under adverse conditions; you will waste time if you interview prospects who are not financially or physically able to procure insurance; you will waste time if you fail to use the eye and ear method of reaching a prospect's understanding; you will waste time if you fail to act on an implied consent to take a policy; and you will waste time in trying to satisfy dissatisfied policy-holders if you fail to deliver policies in accordance with our instruction in the Seventh lesson of this course. You will also waste time and lose money if you accept notes in lieu of cash for initial premiums unless you are master of the science of credit.

6. Many soliciting agents waste time by a house to house, office to office method of soliciting Ordinary, instead of using the line and endless-chain method as taught in the Fourth lesson. The primitive method of house to house soliciting for Ordinary was conceived and born in the delusion that the art of selling life insurance is the same as the art of selling merchandise. There is no analogy between the two lines of salesmanship. A man is inspired to buy merchandise through selfish motives, whereas he is inspired to buy life insurance through emotions of love or duty. A man buys merchandise for the use and benefit of himself, whereas he buys life insurance for the use and benefit of someone else. The art of selling merchandise is the art of appealing to the selfish

instincts in human nature, whereas the art of selling life insurance is the art of appealing to a higher scale of motives. The quicker you draw the line of demarcation between these two lines of salesmanship, the sooner you will eliminate a waste of time by this delusion. This does not, however, apply to Industrial insurance which applicants buy for the same reason that they buy fire insurance. In other words, a man buys fire insurance to protect *himself* in event of loss by fire; and he buys Industrial insurance to create a burial fund to protect himself in event of a child's death.

7. *Work.* Work is a balance wheel in your life. Natural gifts will never make up for the lack of work. If you are deficient in educational advantages, you must overcome it by work; and, if you are deficient in natural gifts, you must overcome it by harder work. Work will raise you above the small personalities in life; it will clear temptation from your mind and it will teach you courage, patience and self-reliance. It will concentrate all of your mental powers into forgetfulness of everything except your work. Hence, the question in its last analysis is not, are you a genius or a natural born soliciting agent, but are you a worker? If so, then your success as a soliciting agent in life insurance depends on your method of work, the character of your work and the spirit in which you work.

8. Success is the reward of intelligent work.

You must not only work but you must work with a directed energy; otherwise, the amount of your work may be out of all proportion to the result attained by your work. Talk is work when your brain, heart and conscience are behind it and you have a definite purpose of procuring applications, delivering policies and collecting premiums in view. The way to make work easy is by continuous work. You will then acquire the habit of work as well as a keen "feather edge" that you otherwise lose by intermission of work. If you cease soliciting for a few days or weeks, you will find how hard it is to begin again. Work is an antidote for pain of the heart and a surcease for sorrow. When the clouds of misfortune gather in your life; when the past seems a failure and the future is unknown, then work is your refuge and the price of peace.

9. *Habit of Work.* Good habits and work are essential to success. Many soliciting agents get in the habit of rebating, habit of misrepresentation, habit of depending upon others for prospects and the habit of selling life insurance in all kinds of ways except on its merits to the detriment of all concerned. Habit establishes the trend of your life. It makes the paths in which you move and live. Nearly all your actions are performed by habit and you never can do anything well until it becomes a habit. The force of habit is so strong in controlling the actions of men that a brief

association with them will enable you to calculate what they will do under almost any given circumstances. This force of habit is so strong that whole life insurance agencies have been wiped out by a single change in methods or legislative enactments.

10. Character is formed by habit. Just as drunkards are made by single drinks so are habits formed by single acts. Hence, if by reason of use we can form bad habits, then by the same reason of use we can form good habits. The key to habit is decision. Some soliciting agents are so lacking in decision that they are always wasting time preparing or procrastinating. *Do it now.* It may require a struggle and continued effort, but you should fortify yourself with a strong resolution and a definite purpose until you acquire the habit of decision. Your measure is taken as a soliciting agent not by your extraordinary efforts, but by the result of your every day, regular work. Genius is but another name for the unremitting habit of work.

11. *Pleasure of Work.* Work is one of the sources of happiness. Work may not always bring happiness but happiness without work is impossible. We must look for happiness in our work instead of our feelings; and in our service instead of our emotions. Idleness ends in more misery than the hardest toil. The ambition of some men is to be free from the necessity of work, as though work and not idleness was the evil. There is

always pleasure in work when we know how to do things easy and well. We may envy those whose wealth relieves them from the necessity of work, but we notice in their quest for happiness that they are compelled to invent substitutes to take the place of work. Those who seek happiness in pleasure never find it. The experience of all ages teaches that to make happiness the chief aim in life is to lose happiness. The happiest people are the busiest people, whereas the most miserable people are those who have nothing to do.

REVIEW QUESTIONS

What does success in life insurance require? Why does it require time and work? Will people come to you and apply for life insurance? How are unsolicited applications viewed? What do the majority of solicitors need? By what methods do some solicitors tie themselves down to a definite task? Name the various ways in which some solicitors waste time. Is there any analogy between selling life insurance and selling merchandise? To what scale of motives do we appeal when selling life insurance? What is the balance wheel in our lives? Is there anything that will make up for lack of work? What is the best way to ascertain whether or not a prospect will insure?

Genius is but another name for what? How can a solicitor overcome educational deficiencies? How can a solicitor overcome deficiencies in natural gifts? Above what will work raise us? What is the reward for intelligent efforts? In what manner must we work? Why? When is talk work? How do we acquire the habit of work? What do we lose by the intermission of work? How can we make work easy? How does habit establish the trend of our lives? How strong is the force of habit? How are habits formed? What is the key to habit? How is a solicitor's measure taken? Is happiness without work possible? What does idleness end in? When is there pleasure in work? What does the experience of all ages teach?

LESSON XII

LIFE INSURANCE AS A PROFESSION

Life Insurance as a Profession

1. Life insurance is the best of all associated efforts yet conceived for the amelioration of society. It is destined to render a greater service as a moral and economic force in our civilization before it reaches the full fruition of its mission.

2. It has made people intelligent guardians of their health, habits and conduct in life. It encourages voluntary and self-reliant thrift. It is reducing the percentage of pauperism in a way that is sure, direct and practical. It is reducing the percentage of pauperism among widows and orphans by supplying protection to those who have been deprived of their breadwinners by death. It is reducing the percentage of pauperism through drink by demonstrating that the liquor habit is a disease and declining to accept an intemperate risk as it would decline to accept an applicant with consumption. It is reducing the percentage of pauperism among the old by providing an easy way to a competency in old age, and it is reducing the percentage of pauperism through laziness by bringing the agencies of thrift to the very doors and firesides of the people.

3. The long periods of time for which life insurance contracts are drawn and the consequent long periods of time during which the legal reserves must run, create extensive reservoirs of money that enables states, municipalities and individuals to finance large enterprises that would otherwise be impossible. Hence, the premiums deposited with life insurance companies by policy-holders not only to return in event of death, maturity or lapse in one form or another, but, during the interval, the money is working and earning from 3 to 6 per cent., building up the industries of the country, creating and multiplying business and employment for thousands of people, as the principal and interest works its way back to the companies and policy-holders through the arteries of trade and commerce.

4. An itemized list of the accumulated and accumulating millions of assets in the financial statements of life insurance companies is evidence that life insurance is one of the greatest factors in the commercial progress and prosperity of a country. The beneficent character of life insurance is so clear and strong that it has swung the pendulum of legislation in some countries to compulsory insurance and free state pensions.

5. Life insurance is the Queen of professions. There is no field more inviting to ambition and talent. Wherever there are men and women—

there life insurance has its manifold opportunities. It has more advantages and blessings combined than any other line of human endeavor. It mingles financial motives with high moral considerations in a way that makes it a pleasant, profitable and agreeable field in which to labor. There is no other vocation that gives you such freedom of action. You are the arbiter of your own time, place and method of work.

6. Your field is wide, free and open. You have your choice of climate, altitude and territory. You are free to go when and where you please. You can escape the heat of summer by shifting your field to cooler climates and you can escape the cold of winter by shifting your field to a more temperate zone. You are not limited in your work to any one class, color or condition of men. You meet all classes and all ages—the wise, the ignorant, the rich, the poor, the young and old. You come in close touch with all trades, pursuits and professions—all of which gives you a broad knowledge of human affairs and a deep insight in human nature.

7. It is a permanent profession. You are not crowded or hampered and your opportunities are limited only by your ability. You begin to earn as soon as you begin to learn. You create as well as supply the demand for your service. You get what you earn and you realize all that your ability and efforts give you a right to expect. You are

not forced to give way to a younger man at the age of forty, or be dismissed at the age of fifty, or be "Oslerized" at the age of sixty. You cannot outlive your usefulness. There is no interruption of your work by "strikes" or over production, and new prospects are being born every minute. Life insurance companies are multiplying in number; new agencies are being opened; old agencies are being divided; branch offices are being established and the positions being vacated by death or resignation must be filled. The demand for solicitors and managers is greater than the supply.

8. A life insurance soliciting agent is a teacher. You are teaching men a higher conception of their moral duty toward their dependents. You are teaching a husband to be a better husband and a father to be a better father. You are awakening thoughts in men that are not for self, but for others. You are persuading the thoughtless and indifferent to provide for their own. It is an indoor and an outdoor profession. You are not chained to a desk or a bench and there is no bell or whistle to announce the beginning or the end of your day's work. There is no one ahead of you to hold you down or behind you to hold you up. You do not have to wait for clients, patients or customers. You are constantly increasing your acquaintance, strengthening your character and extending your influence.

9. You have a mission higher than the compensation you receive for your service. A mission that provides a competency for the old and infirm; a mission that saves women and orphans from degradation; a mission that harms no one, wrongs no one and helps everyone. It is a mission that provides a self-reliant and a direct way of relief. Every application that you write spells comfort and strengthens the social structure of society. The satisfaction that comes to you from these sources is even greater than the satisfaction that comes to you through your earnings.

10. It is one of the few professions that is not overcrowded. Thousands of young men, through ignorance of life insurance and its opportunities, enter other professions and after years of extensive preparation fail to succeed through no inherent fault of their own. They realize after years of struggle that they were misled in the selection of their vocation. The Chairman of the Membership Committee of the New York County Lawyers Association states (*New York World,* April 23rd, 1911) that 70 per cent. of the 16,000 lawyers in Greater New York are earning less than bricklayers or policemen.

11. The New York County Bar Association confirms the assertion by stating that as a result of their investigations 30 per cent. of the lawyers in New York are making only a decent living and 40 per cent. are struggling for existence. At the

April (1911) meeting of the New York County Lawyers Association, 680 of the members lapsed for non-payment of dues—one-fourth of whom admitted that they could not pay the $10 fee per year. The same ratio of failures practically exists in many other professions and in other cities. The chances of earning a competency in any one of the overcrowded professions are unfavorable for the majority of young men who enter them unless they are favored with special opportunities that are more matters of chance than training.

12. Indirect taxation is the royal road to wealth. It is the secret force of great fortunes. The profits gathered in the purchase price from many people in the form of an indirect *concealed* tax have, as a rule, made the wealthy millionaires, merchant princes and captains of industry in this and all other countries. The principle of indirect taxation has a wider field in life insurance than in any other profession. The fees, charges and profits in all other professions are *open* and *direct,* hence smaller and harder to collect. The compensation in life insurance is in the form of commissions and renewal commissions, or the salaried equivalent, based on the gross premium paid by policy-holders. The commission or profit is an indirect tax concealed in the premium which they cheerfully pay without question. The principle of indirect taxation does not operate in favor of a man who works for wages. His compensation, as a rule, is fixed

by the amount it requires to sustain him while rendering the service. In other words, his labor is a commodity bought and sold in the market and it is governed more or less by supply and demand.

13. Life insurance is a profession that requires a high degree of efficiency and determination. No soliciting agent or manager ever failed to succeed through any fault of the profession. Many solicitors and managers fail to succeed in life insurance, but the *cause* of the failure is in the *man* and not the business. There is a popular impression that any man who is a fluent talker and who has failed in everything else, has the requisite essentials to succeed in life insurance. That impression has drawn many men temporarily into the business, tossed them for a while on the waves of adverse experience and dropped them—sadder but wiser men. The price of success in life insurance, aside from a strong character and personality, is a working knowledge of the science and art of writing life insurance. Now and then a man enters the profession without experience or training and from outward appearance seems to go up like a rocket, but as soon as he spends the force of his influence among his relatives, friends and acquaintances, he disappears from the horizon of the business. The moment he is compelled to sell life insurance on its merits among strangers, he fails.

14. It requires well-directed effort to meet adverse conditions and to cope with ignorance and prejudice among some prospects on the subject of life insurance. The laurels of the profession will never crown an idler; or a gambler; or a drunkard; or a weakling; or a coward; or an incompetent. There is no chance for them. The profession has but little to offer a man who scatters his efforts among other vocations. There are but few men who can do several things well at the same time. The strongest powers become weak when divided, but weak powers become strong when concentrated on one single purpose. A soliciting agent cannot long survive extravagance, or the reckless use of credit or loose business methods. The profession cannot be charged with the failures from these and many similar causes of a personal nature.

15. You cannot war successfully on ignorance and selfishness with a rate book alone. It must be reinforced with a clear estimate of the value of life insurance. If you do not appreciate the benefits of life insurance you cannot place them successfully before others. You cannot impart a faith that you do not possess. A deep conviction is contagious. The fire in your spirit should kindle the hearts of prospects to action. You also have the reputation of your company to guard, hence you should realize your responsibility and discharge it with justice to all concerned. There is no impossible gulf between you and the officials of

your company. Your interests are parallel and you all have a common purpose. You are all factors in your company's progress, hence mutual confidence, helpfulness and co-operation should exist. Last, but not least—*be loyal.*

REVIEW QUESTIONS

Has life insurance reached the full fruition of its mission? What effect has life insurance had on the habits of people? What does it encourage? How has it affected pauperism? How do life insurance premiums work their way through the arteries of trade and commerce? Is life insurance a factor in the commercial progress of the country? Is it a factor in the basis of bank credits? How has life insurance swung the pendulum of legislation? Is life insurance an inviting field for ambition and talent? How wide is a solicitor's field for work? What are the chances of earning a competency in other professions?

What is the royal road to wealth? Does the principle of indirect taxation apply to wages? Is labor a commodity? Did a solicitor ever fail to succeed through any inherent fault of life insurance? What is the popular impression as to qualifications essential to success in life insurance? What is the price of success in life insurance? How can a solicitor successfully cope with ignorance and selfishness? Can you impart a faith that you do not possess? Is conviction contagious? What should the fire in your spirit do? Whom do the laurels of the profession of life insurance await? Can a solicitor survive loose business methods? When do the strongest powers become weak? What does every application for life insurance spell? Is there a demand for life insurance solicitors and managers?